



# BLACK RIVER

PUBLIC SCHOOL

Holland, Michigan

## **Comprehensive Annual Financial Report**

For the year ended June 30, 2005

**Black River Public School  
Holland, Michigan**

**Comprehensive Annual Financial Report  
For the year ended June 30, 2005**

***Prepared by  
Dwight D. Avery  
Director of Business Services***

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# BLACK RIVER

PUBLIC SCHOOL

August 30, 2005

Members of the Board of Trustees  
Black River Public School  
491 Columbia Avenue  
Holland, MI 49423-4838

Dear Board members:

This is the Comprehensive Annual Financial Report (CAFR) of Black River Public School (the "School") for the year ended June 30, 2005.

## **Management Responsibility**

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the School's management. To the best of our knowledge and belief, the information presented is fairly stated in all material respects and is reported in a manner which sets forth the financial position and results of operations of the various funds of the school in accordance with generally accepted accounting principals (GAAP). All disclosures necessary to enable a reader to gain an understanding of the School's financial activities have been included.

## **CAFR Report Organization**

This 2005 Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical.

1. *The Introductory Section.* This section includes the table of contents, this transmittal letter, and organizational data.
2. *The Financial Section* begins with the independent auditor's report on the financial statements, and includes Management's Discussion and Analysis report (MD&A), the Basic Financial Statements and Notes to Financial Statements that provide an overview of the School's financial position and operating results, and Supplementary Information, which comprises the Combining Statements for nonmajor governmental funds and other schedules that provide detailed information relative to the Basic Financial Statements. The MD&A report provides a more detailed analysis of the financial condition of the school. This transmittal letter is designed to complement the MD&A and should be read in conjunction with it. The School received an unqualified audit opinion on its financial statements for the year ended June 30, 2005. The Notes to Financial Statements are considered to be an integral part of the report and should be read for a more complete understanding of the statements and information presented therein.
3. *The Statistical Section* presents selected unaudited financial and demographic information, generally on a multi-year basis.

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**Reporting Entity**

This report includes all funds of Black River Public School. The School is not included in any other "reporting entity" as defined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. The School has no component units as defined in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

**Profile of the School**

Black River Public School, established in 1996, is a not-for-profit public school academy – more commonly referred to as a charter school – which provides public education to students in grades 1-12 from the surrounding community. The School presents a Montessori approach to individualized learning in grades 1-5, a liberal arts focus in middle school grades 6-8, and a college preparatory high school education in grades 9-12 that includes an extensive Advanced Placement Program curriculum that provides all high school students an opportunity to earn college credit while in high school.

*Organization.* Under the constitution and laws of the State of Michigan, the School is designated to be a body corporate, a public school, a governmental agency, and a school district that receives state school aid and may incur debt. The School has received IRS designation as a 501(c)(3) not-for-profit public charity.

*Governance.* The Board of Trustees of Black River Public School (the "Black River Board"), comprised of nine appointed officials, is the basic level of government that has financial accountability and control over all operations of the School. The accompanying financial statements present the activities of the School.

*Oversight.* The Black River Board operates the School under a charter contract approved by the Grand Valley State University (GVSU) Board of Trustees (the "University Board"). Pursuant to Michigan law, the University Board provides oversight by giving guidance in and review of compliance with state requirements and the terms of the charter contract.

*Management.* The School does not directly employ workers, but instead receives educational services and staffing pursuant to a management agreement with Education Associates, a non-profit Michigan corporation. Accordingly, the School does not participate in the Michigan Public School Employees' Retirement System (MPERS), which is a cost-sharing, multiple employer, state-wide, defined benefit retirement plan. The Black River Board is a policy-making and planning body whose decisions are carried out by school administrators employed by the management company. Pursuant to the management agreement, Black River reimburses without markup the staffing costs incurred by Education Associates, including the cost of employer contributions into qualifying employees' 401(k) retirement accounts with the Education Associates Retirement Plan. The funding rate is 10 percent of qualifying employee wages. This retirement cost has been significantly lower than the rate paid by MPERS member schools, which was 14.87% of payroll for fiscal 2005 and increases to 16.34% for fiscal 2006.

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**Economic Condition and Outlook of Local Economy**

Black River Public School is physically located at the center of the city of Holland, Michigan, near the downtown business district and close to Hope College, a private, four-year, liberal arts college. As a public school academy, the School itself cannot levy property taxes. It does receive some local property tax support through the Ottawa Area Intermediate School District (OAISD), which levies an ISD-wide "Act 18 Millage" to support special education programs for its constituent school districts and charter schools. This Act 18 revenue comprises approximately 5 percent of total revenues.

Michigan voters approved a state constitutional amendment in 1994, which shifted funding of public schools from local property tax revenues to State School Aid funded by an increased state sales tax and other state revenue sources. Black River receives the same state funding per student as the traditional school district in which it is located. The School's per student foundation allowance provides 97 percent of the school's state revenues, which equals 85 percent of total operating revenues.

The School's business model is different from a traditional public school district, which must accept any district resident of school age that arrives at the district's doorstep. As required of every public school academy in Michigan, Black River has an open enrollment period each year, does not discriminate in its enrollment and admission policies and practices, and does not charge tuition. Black River is allowed to administer an admissions policy whereby the School determines if additional grades will be added – a kindergarten has not yet been established – and then, at the close of open enrollment in the spring, determines the number of spaces that will be available at each offered grade in the fall. This allows the School to plan its growth by each year establishing a limit on the size of its student body as a whole and each grade in specific.

The School competes with other traditional public schools, charter schools, and private schools in the Holland area. The School has consistently drawn over 75 percent of its student population from within the boundaries of the Holland and West Ottawa traditional school districts (see Schedule D-2 at page 57). Every currently-enrolled family is contacted by a Black River Board member each spring for feedback on operations of the School and to solicit references to receive information about Black River. As required by the State School Aid Act, Black River also advertises its open enrollment and recruiting activities in the local media.

**Major Initiatives**

*Multi-age 1st-/2nd-/3rd-grade Program Added.* Black River Public School opened in the fall of 1996 with grades 6-9 and then added an additional grade in each of the next three years as the first senior class graduated from high school in 2000. An upper elementary Montessori program for fourth and fifth graders was added in fiscal 2002. A six-classroom modular building was added in fiscal 2004 to house the upper elementary program. There was significant demand for a lower elementary Montessori program in the spring of 2004, so the School acquired a second modular building with eight classrooms, which housed 83 students in the new grades 1-3 for fiscal 2005 as well as allowed for space for special education instruction and teacher planning.

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*Accreditation.* The school finished its first five-year school improvement cycle and in April 2005 and received the Outcomes Endorsement certificate from the North Central Association of Colleges and Schools (NCA) Commission of Accreditation and School Improvement. The School had already become in May 2003 only the sixth charter school nationally, and the first in Michigan, to become fully accredited by the American Association of Liberal Education (AALE), which has accredited colleges and universities since 1995 and began evaluating charter schools in 2002.

### **Internal Control Structure**

Management is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the School are protected from loss, theft, or misuse; and to ensure that adequate accounting information is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

### **Budgetary Controls**

The School maintains budgetary controls to ensure compliance with legal provisions in the annual appropriated budget approved by the School's Board of Trustees. Activities of the general fund, special revenue funds, and debt service fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within an individual fund. As demonstrated by the statements and schedules included in the financial section of this report, the School continues to meet its responsibility for sound financial management.

### **Cash Management**

As charter authorizer, Grand Valley State University (GVSU) has the statutory designation of fiscal agent to receive and distribute the School's state school aid payments. Pursuant to the financing agreement for the \$5.77 million Full Term Certificates of Participation Series 2000 (the "Certificates") the School granted a security interest in 20 percent of its state school aid revenues in support of the Certificates ("Pledged Revenues"). The School has irrevocably authorized GVSU to pay the Pledged Revenues each month directly to the Trustee. GVSU also deducts its charter oversight fees and sends the remainder to the School. At current and projected enrollment levels the 20 percent Pledged Revenues exceed the debt service requirement and accordingly the trustee forwards the excess on to the School.

Each spring the Director of Business Services prepares a general fund cash forecast to determine the timing differences between revenues and expenditures. The School's State School Aid revenue, which comprises 85 percent of total operating revenues, is received in 11 roughly equal payments from October 20 of the current year (two months after classes begin) through August 20 following fiscal year end. Three-elevenths of the State School Aid is



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received after students have been dismissed for the summer in mid-June. Expenditures may be incurred evenly throughout the year (e.g., staffing and benefit costs), skewed toward the beginning of the academic year (e.g., textbook purchases), or may involve one-time expenditures (e.g., capital outlays). The cash forecast is the basis for an application to the Treasurer of the State of Michigan for approval of a revolving line of credit from a local banking institution, for which the School is required to pledge 30 percent of the year's State School Aid. The School's cash management operations involves making draws on the line of credit to fund staffing and accounts payable, and making payments on the line of credit when State School Aid funds and other revenues are received. The management of restricted cash held in the debt service fund is performed by the Trustee pursuant to the trust agreement.

### **Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters. The School is also potentially exposed to its management company's risks related to injuries to its employees, and errors or omissions. The School maintains comprehensive insurance coverage through a commercial insurance carrier, including "workers compensation without employees" coverage. The School's management company, Education Associates, maintains coverage for workers compensation (with employees), errors and omissions, and property and liability with the same insurance carrier.

### **Independent Audit**

State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected this year to conduct the audit. The goal of the independent audit is to provide reasonable assurance that the financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principals used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there is a reasonable basis for rendering an unqualified opinion that the statements are presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

### **Accomplishments and Awards**

The Michigan Council for Social Studies, which encompasses all traditional districts, private schools, and charter schools state-wide, recognized Black River seventh-grade teacher Marguerite Stephens as Michigan Social Studies Teacher of the Year.

The School's Advanced Placement (AP) program received recognition in a ranking published by the *Washington Post*. The paper's "challenge index" ranks high schools by the ratio of the number of AP and International Baccalaureate (IB) tests taken by all students at a school divided by the number of graduating seniors. Black River's index of 2.756 ranked 104th in the national ranking, which listed the top 1036 schools, and placed the School as number two out of more than 900 high schools in the State of Michigan.

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Black River juniors Michaela TerAvest and Lyndsey Kiss were two of 175 underclassmen state-wide recognized by The College Board's Advanced Placement Program as "AP Rising Stars" for 2004.

**Acknowledgment**

Sincere appreciation is extended to Rehmann Robson for their guidance and direction in the preparation of this comprehensive annual financial report.

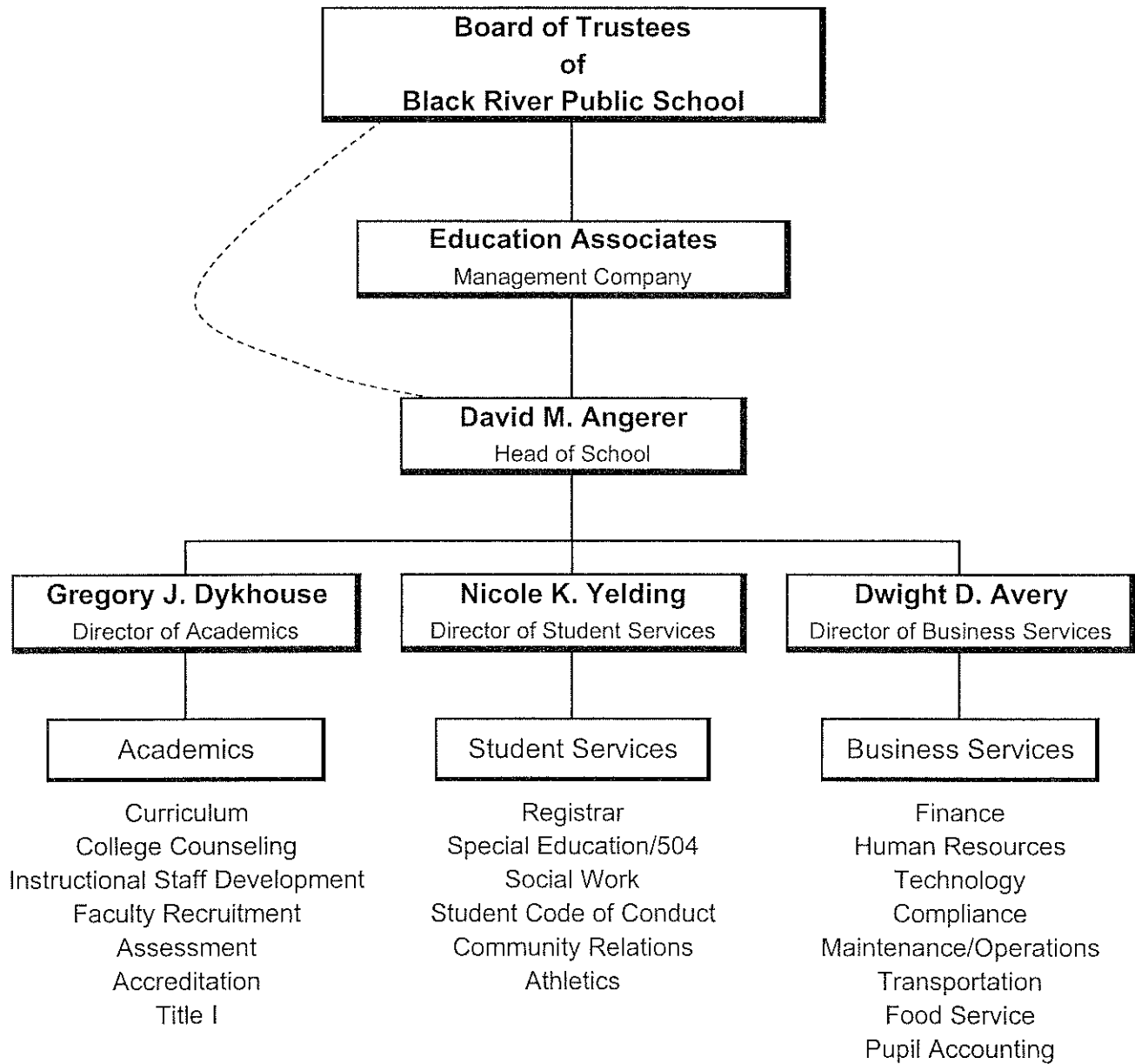
We would also like to express our appreciation to the members of the Board of Trustees for their continued interest and support in planning and conducting the financial operations of Black River Public School in a responsible and progressive manner.

Respectfully submitted,

  
David M. Angerer  
Head of School

  
Dwight D. Avery  
Director of Business Services

**Black River Public School**  
**Organizational Chart**  
**Year ended June 30, 2005**



**Black River Public School  
List of Principal Officials  
Year Ended June 30, 2005**

**Board of Trustees**

Mitchell W. Padnos	President
Barbara A. Zeller	Vice President
Mary M. Mims, J.D.	Secretary
James C. Hook, Jr.	Treasurer
Ruth A. Crouch	Trustee
Thomas F. Guarr, Ph.D.	Trustee
Robin J. Klay, Ph.D.	Trustee
Robert L. Sligh, Jr.	Trustee
Neal W. Sobania, Ph.D.	Trustee

**School Administration**

David M. Angerer	Head of School
Gregory J. Dykhouse, Ph.D.	Director of Academics
Nicole K. Yelding	Director of Student Services
Dwight D. Avery, CPA	Director of Business Services



# BLACK RIVER

PUBLIC SCHOOL

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## MISSION STATEMENT

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Our mission is to prepare each student for college and for life through a challenging curriculum which accommodates individual learning styles. We want to have our students discover responsibility for their own lives as well as empathy for all people and cultures. Through a deep respect for independent thinking, we strive to guide our students in their personal growth toward a genuine self-knowledge so that they can achieve their full human potential.

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BELIEFS	METHODS
<p>We believe the school's responsibility in education is to bring curiosity, challenge, pleasure and a sense of accomplishment into our students' lives.</p> <p>We believe it is through commitment and determination that students stretch the limits of their minds in the joy and celebration of learning.</p> <p>We believe education must not be a race for the accumulation of facts, but should provide the basic tools and ideas for learning so that education will be an enriching end in itself.</p> <p>We believe certain skills to be essential for all of our graduates: To read well, to write clearly and coherently, to study effectively, to reason soundly, and to question thoughtfully and creatively.</p>	<p>Our faculty are academic coaches, providing academic leadership as well as guidance toward learning and personal growth. We embrace the Socratic method and experiential learning as primary pedagogical tools.</p> <p>Students will acquire the knowledge and skills needed to make personal decisions leading toward physical and emotional well being.</p> <p>There will be a clear disciplinary code for all students.</p> <p>Everything taught at our school endeavors to be a life-long skill, whether it be literary, linguistic, athletic, artistic, scientific, mathematical or historical.</p>
CURRICULUM	CULTURE
<p>Our Core Curriculum will be English, foreign language, mathematics, history and politics, natural sciences, the arts and applied technology. All courses will be taught within an integrated curriculum, demonstrating relationships among the fields of study.</p> <p>Students will experience a progression of learning based not on chronological age, but on understanding.</p> <p>Our students will be provided with non-language-based processes for intuitive insight and the development of meaning, in addition to rational academic processes.</p> <p>Our curriculum includes involvement with the local community and concern for worldwide issues, which aid in discovering an ability and a responsibility to make a difference in the world. Our students will participate in service and extra-curricular projects within the Greater Holland communities.</p>	<p>To succeed in our mission we need the students' and parents' active partnership and agreement with the School Mission, which includes a personal commitment to serious academic challenge.</p> <p>The atmosphere of the school is that of a safe place in which students feel free to develop individual ideas and styles. Our faculty stresses unanxious expectations; making errors is a necessary part of the learning process.</p> <p>The culture of our school is one of mutually respectful interaction between adults and students; we recognize the need of living enlightened and humane lives.</p> <p>We encourage a student population of social, economic and racial diversity.</p> <p>We will be an Elementary School, a Middle School and a High School and strive for a small population of students of approximately 760, and classes will be targeted to be an average class size of 20.</p>



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

July 21, 2005

Board of Trustees  
Black River Public School  
Holland, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **BLACK RIVER PUBLIC SCHOOL**, as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Black River Public School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Black River Public School as of June 30, 2005, and the respective changes in financial position, and the budgetary comparison of the general fund and the debt service fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2005 on our consideration of Black River Public School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Black River Public School's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of Black River Public School's basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

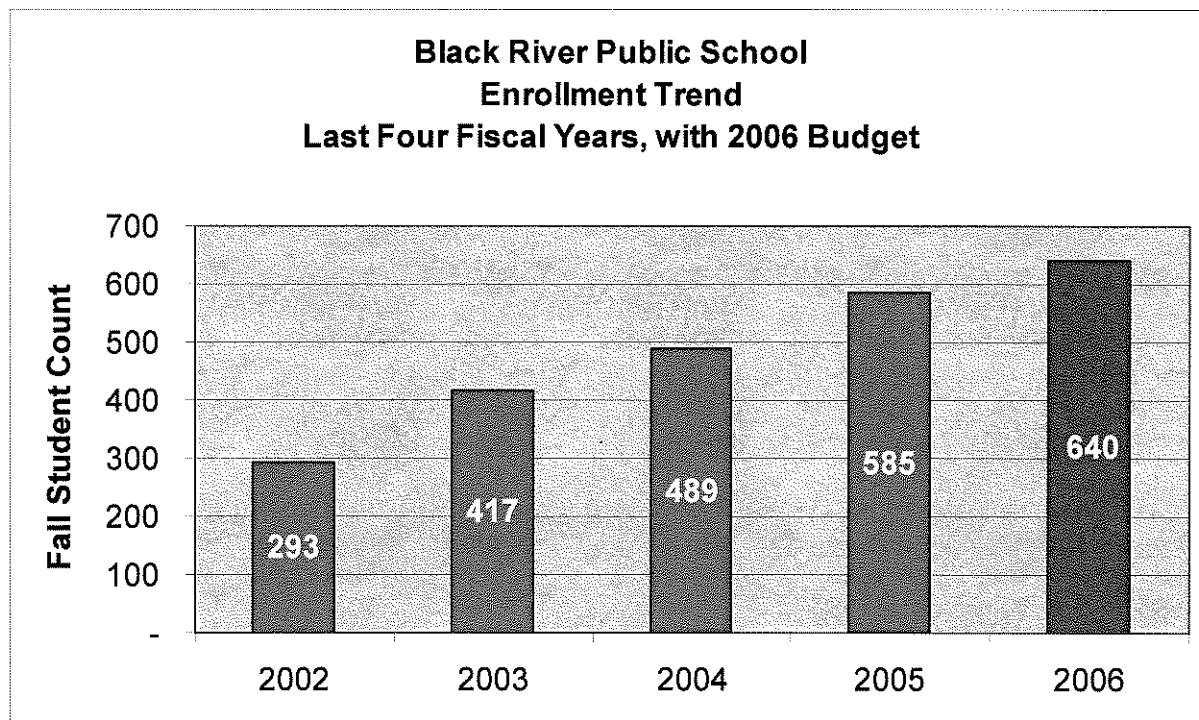
*Rehmann Lohman*

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

As management of the Black River Public School, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter, which can be found in the introductory section of this report, and the School's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- Net assets increased by \$715,197, or 22 percent, over June 30, 2004.
- Enrollment in grades 1-12 increased 19.6 percent to 585, its highest level ever, including 83 students in the newly added grades 1-3, which comprise a lower elementary program with first through third graders in the same multi-age Montessori classroom.
- Overall revenues were \$5.05 million compared to \$4.33 million of expenses.
- Black River's general fund revenues rose 28.5 percent to \$4.6 million, \$288,693 more than expenditures and other financing uses.
- General fund instruction and support services costs, a measure of the cost of day-to-day school operations, rose 17.4 percent to \$3.5 million.
- Outlays for new capital assets were \$631,792, of which \$587,476 (95 percent) was the cost of acquiring and installing a modular building with eight classrooms, which houses the new lower elementary Montessori program.





**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT**

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Black River Public School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

**Reporting the School as a Whole**

The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about Black River's overall financial status. These are the Statement of Net Assets and the Statement of Activities, which report the School's net assets on page 18 and changes in those assets on page 19. These statements use a full accrual basis of accounting, which is similar to the accounting used by private sector corporations. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**Reporting the School's Most Significant Funds**

The remaining statements are *fund financial statements*, which begin on page 20 and focus on individual parts of the School, reporting the School's operations in *more detail* than the *government-wide* statements.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the School acts solely as a *trustee or agent* for the benefit of others. Student activity funds, for example, are held in a school bank account on behalf of the student group.

The fund financial statements are reported on a modified accrual basis of accounting, which measures cash and other financial assets that can readily be converted to cash. Using this basis of accounting, the fund financial statements recognize revenues when both measurable and available as more fully described in the notes to the financial statements. The relationship (or differences) between governmental activities (as reported in the Statement of Net Assets and Statement of Activities) and governmental funds is reconciled in the financial statements.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *supplementary information*, which provides detail on original budget and final budget with a comparison to operating results.

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**REPORTING THE SCHOOL AS A WHOLE:  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide statements report information about the governmental activities of Black River as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the School's assets and liabilities, both short and long term, regardless of whether they are "currently available." For example, assets that are restricted for use in the Debt Retirement Fund solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund.

**Net Assets**

The Statement of Net Assets provides the perspective of the School as a whole. The following table shows the condensed statement of net assets compared to prior year.

***Condensed Statement of Net Assets  
(dollars in thousands)***

	Governmental Activities		Percentage Change
	<u>2004</u>	<u>2005</u>	<u>2004-2005</u>
Current assets	\$ 1,434.7	\$ 1,932.5	34.7%
Capital assets	<u>8,914.4</u>	<u>9,251.7</u>	3.8%
Total assets	<u>10,349.1</u>	<u>11,184.2</u>	8.1%
Long-term debt outstanding	6,184.8	6,231.6	1.0%
Other liabilities	<u>891.5</u>	<u>964.5</u>	5.5%
Total liabilities	<u>7,076.3</u>	<u>7,196.1</u>	1.6%
Net assets:			
Invested in capital assets, net of related debt	2,561.9	2,691.7	5.1%
Restricted	598.6	860.7	43.8%
Unrestricted	<u>112.4</u>	<u>435.7</u>	294.9%
Total net assets	<u>\$3,272.9</u>	<u>\$ 3,998.1</u>	22.1%

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**Statement of Activities**

The following table presents the revenues and expenses for the current fiscal year compared to prior year.

***Changes in Net Assets from Operating Results  
(in thousands of dollars)***

	Governmental Activities	
	<u>2004</u>	<u>2005</u>
<b>Revenues:</b>		
Program revenues		
Charges for services	\$ 22.8	\$ 35.0
Operating grants & contributions	391.1	726.6
General revenues		
State school aid, unrestricted	3,119.8	3,841.1
Other	<u>198.3</u>	<u>442.2</u>
<b>Total revenues</b>	<b>3,732.0</b>	<b>5,045.5</b>
<b>Expenses:</b>		
Instruction	2,015.4	2,341.0
Support Services	1,236.8	1,446.2
Food Service	48.3	58.2
Athletics	68.2	56.4
Yearbook	8.7	8.3
Interest on debt	<u>413.1</u>	<u>420.2</u>
<b>Total expenses</b>	<b><u>3,790.5</u></b>	<b><u>4,330.3</u></b>
<b>Increase (decrease) in net assets</b>	<b><u>\$ (58.5)</u></b>	<b><u>\$ 715.2</u></b>

*Net Assets Analysis.* Capital assets net of related debt was up \$262,136 (5.1%), a large portion of which was \$179,690 of capital outlay, financed from general fund operations rather than debt, which was the cost to install the 8-classroom modular building that houses the lower elementary program. The building cost of \$385,000 was debt financed.

Restricted net assets increased by \$262,136 (43.8%), due largely to new pledges receivable totaling \$227,097.

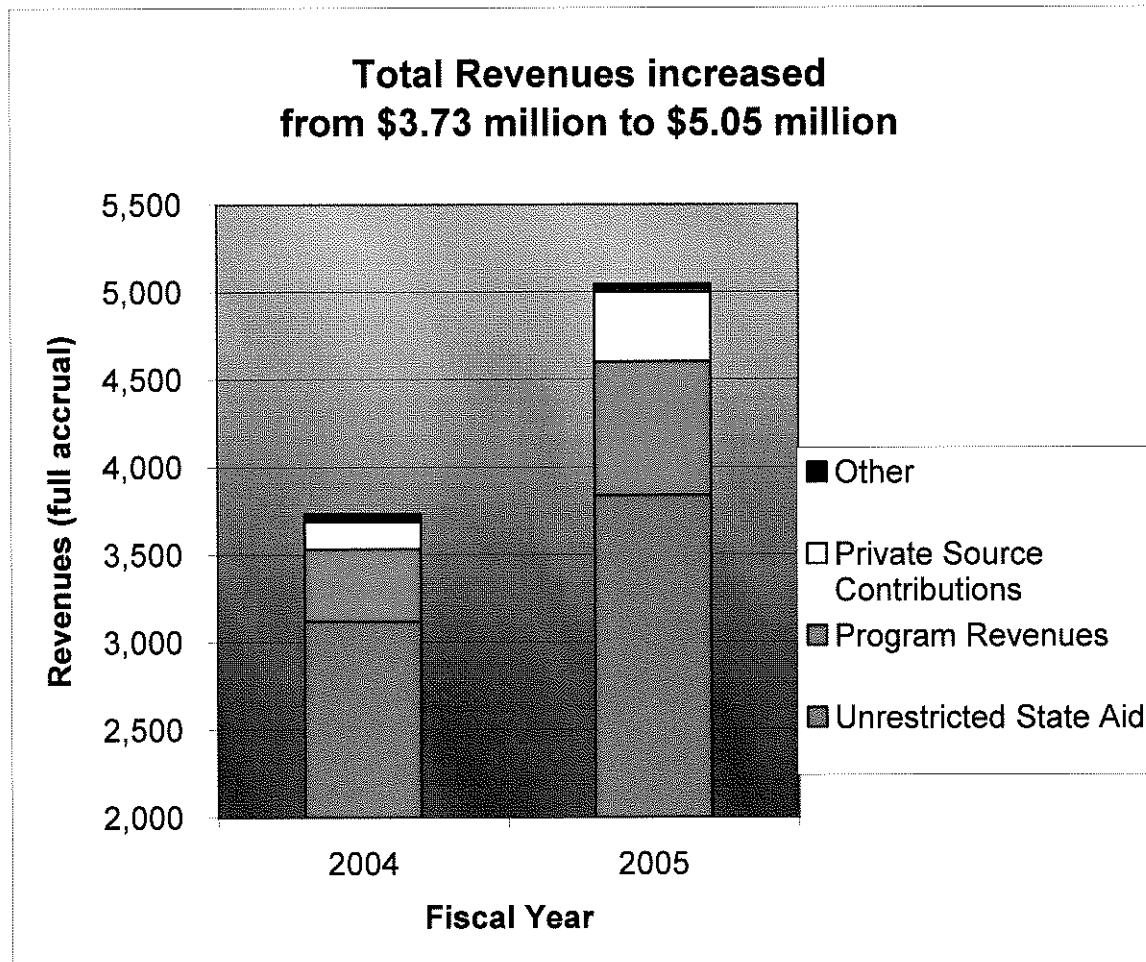
*Revenue/Cost Analysis of Elementary Program.* A substantial portion of the increase in unrestricted net assets can be explained by the expansion of the elementary program as shown in the following table. For this analysis, contribution margin is defined as the elementary programs state foundation revenue minus the elementary instruction cost.

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

***Elementary Program Enrollment,  
Foundation Revenue, and Direct Costs  
(dollars in thousands)***

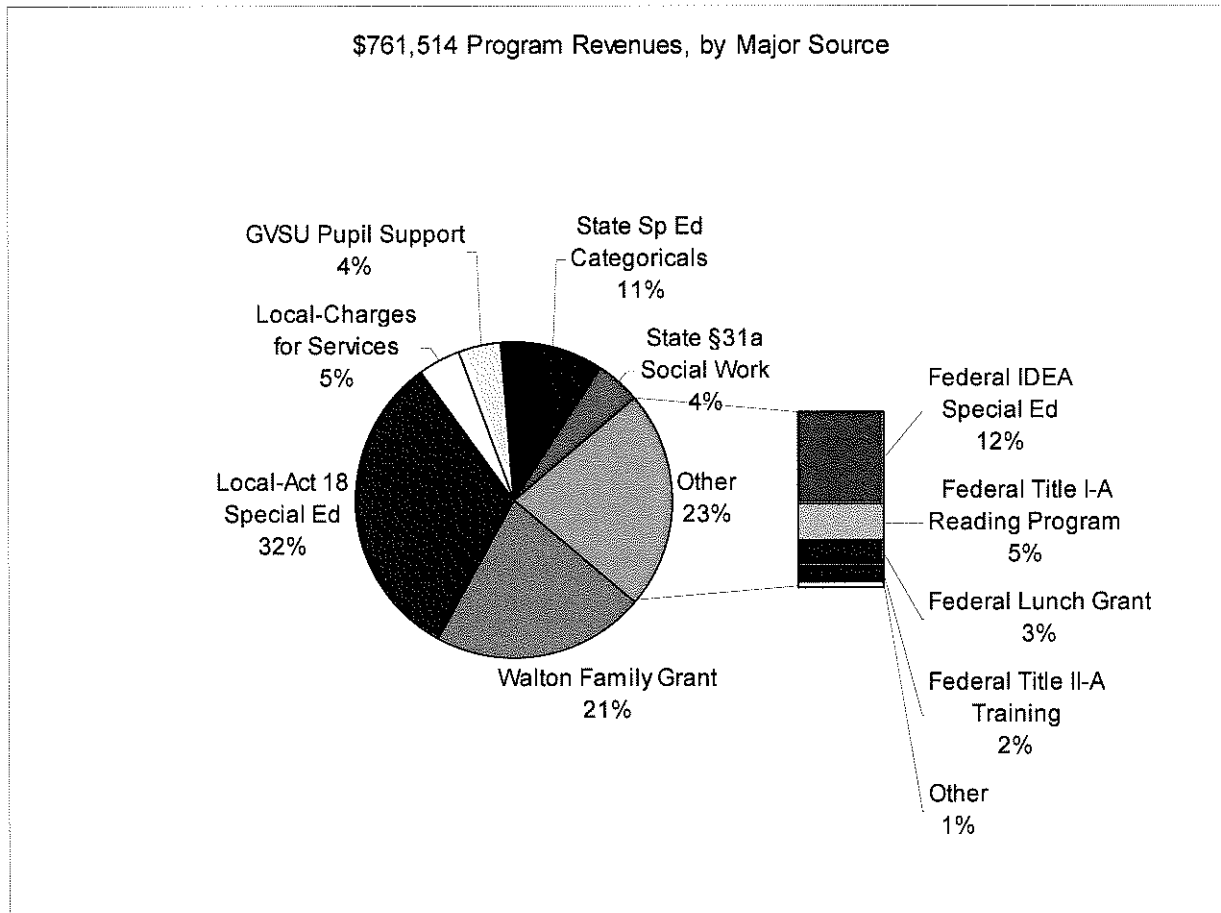
	<u>2003</u>	<u>2004</u>	<u>Increase</u>	<u>Percent</u>
Elementary Enrollment	81.00	167.00	86.00	106%
Membership blend	74.25	164.70	90.45	122%
Foundation revenue	\$ 507.7	\$ 1,126.2	\$ 618.5	122%
Instruction cost	<u>216.1</u>	<u>497.4</u>	<u>281.3</u>	130%
Contribution margin	\$ 291.6	\$ 628.8	\$ 337.2	116%

The \$323,496 (295%) increase in unrestricted net assets is largely a result of this \$337,200 increase in the contribution margin of the elementary program.



# **Black River Public School Management's Discussion and Analysis For the Year Ended June 30, 2005**

*Program Revenues.* The composition of program revenues, which increased 84% over the prior year to \$761,514, is as follows:



The School recognized \$163,289 in program revenue from a startup grant provided by the Walton Family Foundation (Bentonville, AR) to support the first year startup operations of the lower elementary multi-age classroom Montessori program for grades 1, 2 and 3. The gift was received and reported as deferred revenue in the prior year and grant funds were expended and program revenue recognized in the current year.

The School received significant funding for the first time pursuant to the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the No Child Left Behind Act of 2001 (NCLB). ESEA funds may not "supplant" other funding meaning this federal money must first be used for new programs and/or services not previously offered. The School received approval and began a program to provide paraprofessional support of student literacy and language arts skills using Title I, Part A funds which are designated for "improving the academic achievement of the disadvantaged." The School's program defines a student to be "at risk" if his or her reading skills are below grade level. Title I Aides were added to identify and provide remedial services to this sub-population of students. Based on the School's numbers of students receiving free and reduced priced lunches pursuant to the National School Lunch Program

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

(NSLP), the school received an allocation of \$18,278 and applied in time to carry over into fiscal 2005 a prior year allocation \$16,015. The School also received \$13,670 in current and carryover Title II, Part A money, which is earmarked for programs "preparing, training, and recruiting high quality teachers and principals." This program, initiated with carryover money in the prior year, is used to provide teachers that are new to the Montessori method with intensive Montessori summer training and certification through the Michigan Montessori Teacher Education Center (Rochester Hills, Michigan).

**REPORTING THE SCHOOL'S MOST SIGNIFICANT FUNDS:  
FUND FINANCIAL STATEMENTS**

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds – not the school organization as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law, while other funds may be established by the School to help manage money for particular purposes.

The School has two kinds of funds:

- *Governmental Funds:* Most of the School's basic instructional and support services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements on pages 20 and 22 provide a detailed short-term view that helps to illustrate whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information follows each Governmental Funds statement on pages 21 and 23 to explain the relationship (or reconcile the differences) between the government-wide statements and Governmental Funds statements.

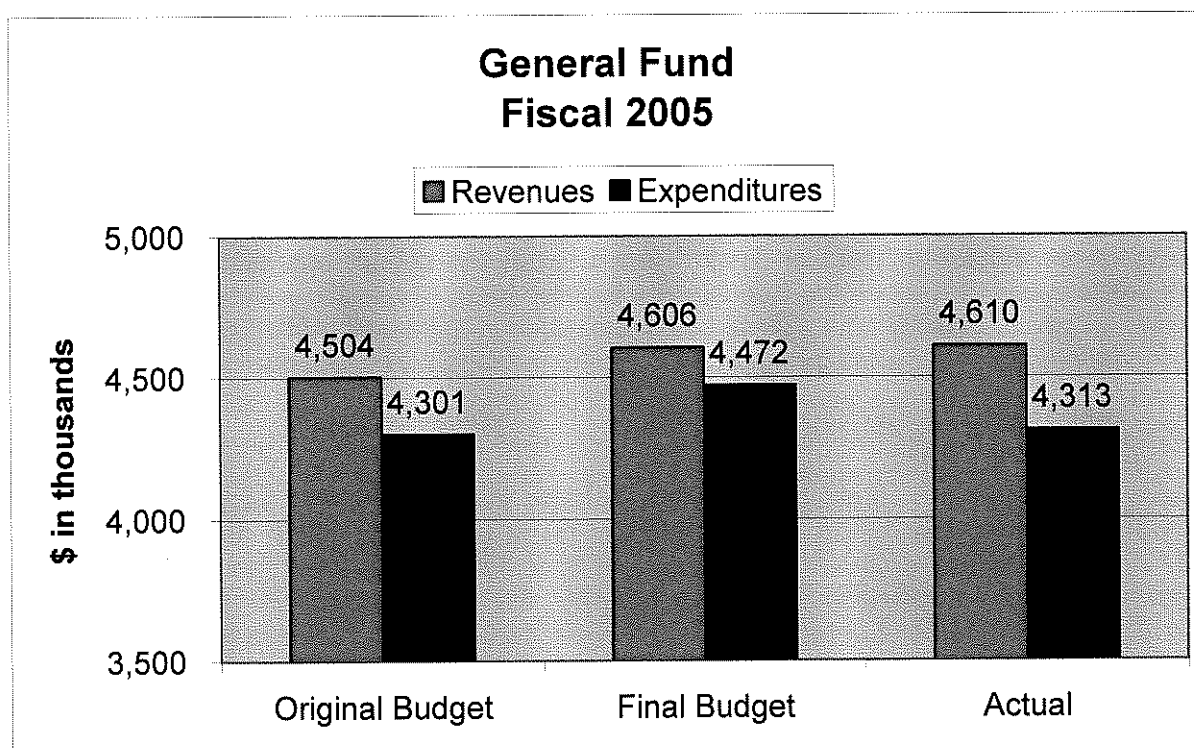
Black River's Governmental Funds include the general fund, capital projects fund, debt service fund and special revenue funds.

- *Fiduciary Funds:* The School is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds or student activities. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the School's fiduciary activity balances are reported in a separate Statement of Fiduciary Assets and Liabilities on page 26. The School excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**General Fund Budgetary Highlights**

As required by state law, the Board of Trustees adopted a balanced budget prior to the start of the fiscal year. During the fiscal year ended June 30, 2005, the School revised the general fund budget twice.



*Revenues.* The overall difference between the original budget and the amended budget for revenues reflected an increase of \$101,528 (2.2%). Budget adjustments were made to various revenue sources, the largest reasons for which were:

- The final budget for local-sourced Act 18 special education millage revenue was \$244,000, reflecting an allocation \$44,000 higher than originally planned
- The final budget for federally sourced Individuals with Disabilities Education Act (IDEA) funding of special education was \$92,562, which was \$32,562 higher than planned in the original budget

Actual general fund revenues were \$3,574 (0.07%) favorable to the final budget.

*Expenditures.* The final amended budget for general fund expenditures and other financing uses was greater than the original budget by \$170,329 (4.0%). Actual expenditures and other financing uses were \$150,801 (3.5%) favorable to the final budget. Spending was less than or equal to the final budget appropriations in every functional area.

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets.* As of June 30, 2005, Black River had invested \$9.25 million in capital assets net of depreciation. The increase of approximately \$337,000 or 38 percent from last year depicts the result of capital additions of \$632,000 less depreciation expense of \$294,500. The following schedule presents capital asset balances net of depreciation as of the current and prior year year-end dates.

***Capital assets***

***(net of depreciation, in thousands of dollars)***

	Governmental Activities	
	<u>2004</u>	<u>2005</u>
Land and improvements	\$ 452	\$ 452
Buildings and improvements	8,317	8,647
School buses	55	46
Furniture and equipment	<u>90</u>	<u>106</u>
	<u>\$ 8,914</u>	<u>\$ 9,251</u>

Acquisition and installation costs of the eight-classroom modular building, previously described in the financial highlights, represent 95 percent of the capital additions for the year.

*Debt.* At June 30, 2005, Black River had \$6.56 million in outstanding debt, which represents an increase of 3.3 percent. The increase in debt was largely due to the financing of the eight-classroom modular building acquisition.

***Outstanding debt***

***(in thousands of dollars)***

	Governmental Activities	
	<u>2004</u>	<u>2005</u>
Certificates of participation	\$ 5,615	\$ 5,530
Capital lease obligation - school buses	53	45
Note payable – 2003 classrooms	338	266
Note payable – 2004 classrooms	-	372
Note payable to BASF Corp.	<u>347</u>	<u>347</u>
	<u>\$ 6,353</u>	<u>\$ 6,560</u>



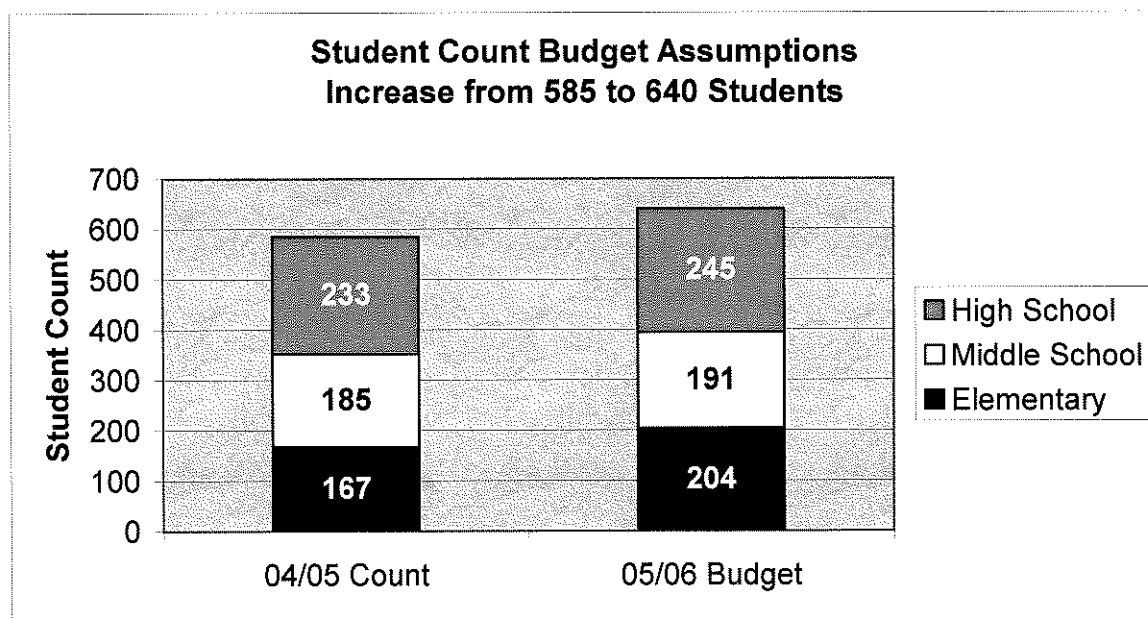
**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Many factors were considered by the School's administration during the process of developing the fiscal year 2005-2006 budget. The principal factor was the School's anticipated student enrollment, which drives staffing requirements and other variable costs. Staffing costs typically represent more than 70 percent of general fund expenditures.

**Budgeted Student Count**

The principal factor driving operating revenues and expenses is the count of students enrolled and in attendance at Black River on the fall count day in September and spring count day in February. The School's open enrollment policy was adjusted slightly for 2005-2006 academic year by stipulating the open enrollment for the fall closed on the last Monday in March 2005, a full month earlier than in prior years. Management is able to plan for the size of each grade during the spring budgeting and strategic planning process.

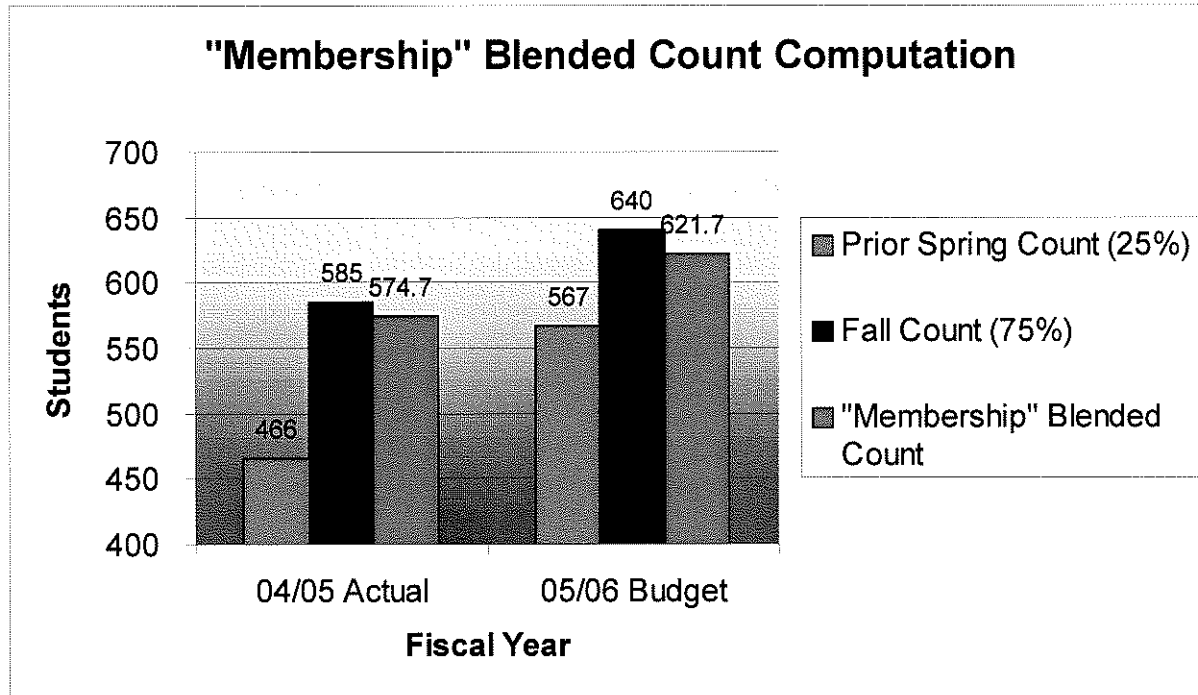


Based on student applications received before the end of open enrollment, the School increased by 40 the number of spaces available in the lower elementary Montessori program (grades 1-3) and was able to budget accordingly. Grades 4-12 combined were budgeted to grow in fiscal 2006 by a net of 15 students above the prior year.

**Budgeted State School Aid, Foundation Grant**

The state foundation grant revenue is determined by multiplying the blended student count by the per-pupil foundation allowance. Generally, the membership count is computed by adding 75% of the current fall count to 25% of the prior spring count. The 2006 budget was built on a membership blend of 621.7 as illustrated in the following table.

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**



Foundation revenue for 2006 is budgeted to increase accordingly as illustrated in the following table:

**Student Membership and Foundation Grant Revenue  
Last Three Fiscal Years, with 2006 Budget**

Fiscal Year	Fall Count (FTE)	Membership Pupils	Foundation Allowance	Total Foundation Grant	General Ed Unrestricted Foundation	Special Ed Program Foundation
2002-2003	415.00	386.43	\$ 6,838	\$ 2,642,408	\$ 2,584,627	\$ 57,781
2003-2004	487.80	467.67	6,764	3,163,320	3,083,572	79,748
2004-2005	584.15	574.71	6,838	3,929,867	3,840,221	89,646
2005-2006	640.00	621.69	7,013	4,359,912	4,235,431	124,481

At Black River, an effort is made to mainstream special education students into the general education classrooms to the greatest extent possible. The large proportion of a special education student's day is spent in general education classrooms, often with a certificated special education teacher and/or a paraprofessional aide in the room to provide support. The individualized education program (IEP) of a typical special education student at the School spends less than 25% of their academic day in classrooms led by a special education teacher, which is typically for a resource room period during which time students are provided special needs assistance to help them to succeed in their academic coursework. For the 2004/2005 academic year, 72 special education students (12.3% of the student population) were designated to be 58.38 full-time equivalents (FTE) as general education students and 13.62 FTE under direct special education instruction. Using the State of Michigan's blending methodology, the School had special education membership of 13.11 in 2005, which is budgeted to rise to 17.75 in fiscal 2006. The special education foundation grant revenue

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

associated with this special education membership (\$89,646 in 2005 and \$124,481 per the 2006 budget) is treated as a state categorical program revenue. The portion of the foundation grant associated with general education membership is categorized as unrestricted general revenue.

**Budgeted Staffing Resources**

Based on student registrations at the close of open enrollment, staffing was budgeted for 2005/2006 as shown in the following table:

**Staffing Level History (FTE),  
Last Three Fiscal Years, with 2006 Budget**

	<u>02/03</u>	<u>03/04</u>	<u>04/05</u>	<u>05/06</u>
Instructional Staff:				
Elementary	3.40	4.50	8.50	11.25
Middle School	10.10	11.95	11.95	11.40
High School	12.20	15.20	13.90	16.30
Title I Aides	-	-	2.00	2.00
Special Education	4.00	5.15	4.80	4.55
Instruction Subtotal	29.70	36.80	41.15	45.50
Other Staff	9.30	8.05	9.65	10.50
Total Staffing	39.00	44.85	50.80	56.00

**Budgeted Revenues and Expenditures**

Taking into consideration all these factors, management developed the 2006 general fund budget as shown in the following table:

**General Fund Changes in Fund Balance,  
Last Three Fiscal Years, with 2006 Budget**

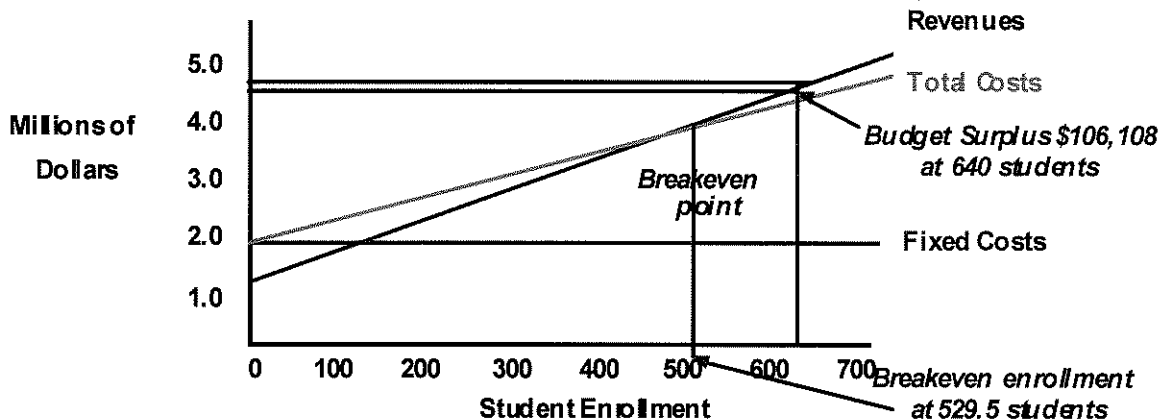
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues	\$3,086,311	\$3,586,381	\$4,609,574	\$4,822,104
Expenditures				
Instruction	1,437,785	1,806,550	2,114,147	2,425,144
Support services	1,160,513	1,175,416	1,395,841	1,479,520
Capital outlay	-	-	52,356	-
Debt Service:				
Principal	-	25,727	92,490	241,070
Interest	-	12,137	24,555	19,999
Total expenditures	2,598,298	3,019,830	3,679,389	4,165,733
Rev over/(under) Exp	488,013	566,551	930,185	656,371
Transfers:				
to Special Revenue	(62,146)	(77,282)	(59,709)	(69,903)
to Debt Service	(449,625)	(397,022)	(402,093)	(480,360)
to Capital Projects	-	(82,233)	(179,690)	-
Change in fund balance	(23,758)	10,014	288,693	106,108
Fund balance, beginning	106,556	82,798	92,812	381,505
Fund balance, ending	\$ 82,798	\$ 92,812	\$ 381,505	\$ 487,613

# Black River Public School Management's Discussion and Analysis For the Year Ended June 30, 2005

## Breakeven Enrollment

Management finds it helpful to describe the general fund's financial structure in relation to a breakeven level of student enrollment, which is the theoretical student count beyond which total revenues exceed total expenditures.

### General Fund Financial Structure Breakeven Analysis for 2006 Budget



Factors in determining breakeven enrollment are fixed costs, fixed revenues, and the contribution margin per student, which is the per student variable revenue less variable costs. Management has identified costs in the budget totaling \$1,939,859 that could be adjusted during the budgetary process based on student numbers at the close of open enrollment. These variable costs are the instruction, pupil support, charter agency fee, and pupil transportation functions. All other costs are considered to be fixed in the short term, even though some portions of administrative overhead could be adjusted, if necessary. Except for the foundation grant portion of state school aid, all other budgeted general fund revenues are treated as fixed for the short term. And a close look at the foundation grant formula reveals that a portion is fixed based on the spring count taken in February before the fiscal year – or the formal budget process – has begun. The budgeted foundation grant revenue was calculated as follows:

Count Day	Count	Blend	Membership	Per Pupil	Foundation Grant
Feb 2005	566.75	x 25% =	141.69	x \$7,013	= \$ 993,672
Sep 2005	640.00	x 75% =	<u>480.00</u>	x \$7,013	= <u>3,366,240</u>
			621.69	x \$7,013	= \$4,359,912

Revenues fixed before the end of the budget process were \$993,672 of the foundation grant and other revenues totaling \$458,002.

The School's breakeven enrollment, therefore, is 529.5 FTE students, calculated as follows:

BE = Breakeven number of students enrolled

BE = (Fixed Costs – Fixed Revenues) / (Marginal Revenue per student – Marginal Cost Per Student)

BE = (\$1,939,859 - \$1,451,714) / (\$5258.75 - \$4337.714)

BE = 529.5 students

**Black River Public School  
Management's Discussion and Analysis  
For the Year Ended June 30, 2005**

Management is confident that enrollment for the September 2005 count day will be well above breakeven, considering that 691 applications were received before the close of open enrollment for 650 available spaces. Each summer before the start of the new school year, management manages the wait list to try to accept as many students as possible without compromising the average-class-size-of-20 target per the School's mission.

**Pledged Revenue Coverage**

As shown at Schedule C-1 on page 54, Pledged Revenues coverage of debt service under the \$5.77 million Full Term Certificates of Participation Series 2000 has been more than adequate each year. Budgeted state school aid revenues of \$4.4 million for 2006 would create Pledged Revenues of \$880,000 resulting in a budgeted Pledged Revenue Coverage ratio of 1.83 times the debt service (\$480,662).

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

The School's financial statements are designed to present users – citizens, taxpayers, customers, investors and creditors – with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the School's business office at Black River Public School, 491 Columbia Avenue, Holland, MI 49423-4838.

**Black River Public School**  
**Statement of Net Assets**  
**June 30, 2005**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 217,216
Investments	674,725
Receivables:	
Accounts	232,022
Due from other governmental units	808,546
Total current assets	<u>1,932,509</u>
Noncurrent assets:	
Land	452,430
Buildings and equipment	10,177,292
Less accumulated depreciation	<u>(1,378,065)</u>
Total noncurrent assets	<u>9,251,657</u>
Total assets	<u>11,184,166</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	339,967
Line of credit	90,000
Accrued expenses	185,098
Due to other governmental units	21,070
Current portion of long-term debt	<u>328,347</u>
Total current liabilities	964,482
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>6,231,633</u>
Total liabilities	<u>7,196,115</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	2,691,677
Restricted for capital projects	185,999
Restricted for debt service	674,725
Unrestricted	<u>435,650</u>
Total net assets	<u>\$ 3,988,051</u>

The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Statement of Activities**  
**For the Year Ended June 30, 2005**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$2,340,948	\$ -	\$ 667,185	\$ (1,673,763)
Supporting services	1,446,205	660	33,420	(1,412,125)
Food services	58,208	23,123	25,957	(9,128)
Athletics	56,448	3,084	-	(53,364)
Yearbook	8,349	8,085	-	(264)
Interest on long-term debt	420,190	-	-	(420,190)
Total governmental activities	<u>\$4,330,321</u>	<u>\$ 34,952</u>	<u>\$ 726,562</u>	<u>(3,568,807)</u>
General revenues:				
				396,811
				3,841,051
				33,888
				12,254
				<u>4,284,004</u>
				715,197
				<u>3,272,854</u>
				<u>\$ 3,988,051</u>

The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non- Major Funds</u>	<u>Total</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,004	\$ -	\$185,999	\$ 19,213	\$ 217,216
Investments	-	674,725	-	-	674,725
Due from other governmental units	808,546	-	-	-	808,546
Accounts receivable	4,925	-	227,097	-	232,022
Total assets	<u>\$ 825,475</u>	<u>\$ 674,725</u>	<u>\$ 413,096</u>	<u>\$ 19,213</u>	<u>\$ 1,932,509</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$332,900	\$ -	\$ -	\$ 7,067	\$ 339,967
Line of credit payable	90,000	-	-	-	90,000
Due to other governments	21,070	-	-	-	21,070
Deferred revenue	-	-	227,097	-	227,097
Total liabilities	<u>443,970</u>	<u>-</u>	<u>227,097</u>	<u>7,067</u>	<u>678,134</u>
Fund balances:					
Reserved for:					
Debt service	-	674,725	-	-	674,725
Capital projects	-	-	185,999	-	185,999
Unreserved, reported in:					
General fund	381,505	-	-	-	381,505
Special revenue funds	-	-	-	12,146	12,146
Total fund balances	<u>381,505</u>	<u>674,725</u>	<u>185,999</u>	<u>12,146</u>	<u>1,254,375</u>
Total liabilities and fund balances	<u>\$ 825,475</u>	<u>\$ 674,725</u>	<u>\$ 413,096</u>	<u>\$ 19,213</u>	<u>\$ 1,932,509</u>

The accompanying notes are an integral part of these financial statements.



**Black River Public School**  
**Reconciliation of Fund Balances on the Balance Sheet**  
**for Governmental Funds to Net Assets of**  
**Governmental Activities on the Statement of Net Assets**  
**June 30, 2005**

Fund balances - total governmental funds	\$ 1,254,375
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	10,629,722
Deduct - accumulated depreciation	(1,378,065)

Certain assets, such as pledges receivable, are not due and receivable in the current period and therefore are offset with deferred revenue in the fund.

Add: pledges receivable	227,097
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Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - notes & contracts payable	(6,559,980)
- accrued liabilities	(185,098)
	<hr/>

Net assets of governmental activities	<u><u>\$ 3,988,051</u></u>
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The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Non- Major Funds</u>	<u>Total</u>
<b>REVENUE</b>					
Local sources	\$ 457,688	\$ 8,606	\$ 155,128	\$ 37,016	\$ 658,438
Intermediate sources	33,420	-	-	-	33,420
State sources	3,974,951	-	-	830	3,975,781
Federal sources	143,515	-	-	25,957	169,472
Total revenue	<u>4,609,574</u>	<u>8,606</u>	<u>155,128</u>	<u>63,803</u>	<u>4,837,111</u>
<b>EXPENDITURES</b>					
Current:					
Instruction	2,114,147	-	-	-	2,114,147
Supporting services	1,395,841	-	-	116,983	1,512,824
Capital outlay	52,356	-	552,369	-	604,725
Debt service:					
Principal	92,490	85,000	-	-	177,490
Interest	24,555	396,018	-	-	420,573
Total expenditures	<u>3,679,389</u>	<u>481,018</u>	<u>552,369</u>	<u>116,983</u>	<u>4,829,759</u>
Revenue over (under) expenditures	<u>930,185</u>	<u>(472,412)</u>	<u>(397,241)</u>	<u>(53,180)</u>	<u>7,352</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of notes	-	-	385,000	-	385,000
Transfers in	-	402,093	179,690	59,709	641,492
Transfers out	(641,492)	-	-	-	(641,492)
Total other financing sources (uses)	<u>(641,492)</u>	<u>402,093</u>	<u>564,690</u>	<u>59,709</u>	<u>385,000</u>
Net changes in fund balances	288,693	(70,319)	167,449	6,529	392,352
Fund balances, beginning of year	<u>92,812</u>	<u>745,044</u>	<u>18,550</u>	<u>5,617</u>	<u>862,023</u>
Fund balances, end of year	<u>\$ 381,505</u>	<u>\$ 674,725</u>	<u>\$ 185,999</u>	<u>\$ 12,146</u>	<u>\$ 1,254,375</u>

The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Change in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2005**

Net change in fund balances - total governmental funds \$ 392,352

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	631,792
Deduct - depreciation expense	(294,504)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but a reduction in long-term liabilities on the statement of net assets.

Add - principal payments on long-term liabilities	177,490
Deduct - issuance of debt	(385,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - change in deferred revenue	208,380
Deduct - increase in accrued liabilities	(15,313)

Change in net assets of governmental activities	\$ 715,197
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The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUE</b>				
Local sources	\$ 399,039	\$ 455,000	\$ 457,688	\$ 2,688
Intermediate sources	23,400	33,000	33,420	420
State sources	3,976,278	3,974,500	3,974,951	451
Federal sources	105,755	143,500	143,515	15
Total revenue	<u>4,504,472</u>	<u>4,606,000</u>	<u>4,609,574</u>	<u>3,574</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	2,122,828	2,161,000	2,114,147	46,853
Supporting services	1,361,612	1,454,000	1,395,841	58,159
Capital outlay	-	57,000	52,356	4,644
Debt service:				
Principal	114,059	102,295	92,490	9,805
Interest	12,436	27,893	24,555	3,338
Total expenditures	<u>3,610,935</u>	<u>3,802,188</u>	<u>3,679,389</u>	<u>122,799</u>
Revenue over expenditures	893,537	803,812	930,185	126,373
<b>OTHER FINANCING (USES)</b>				
Transfers out	<u>(690,418)</u>	<u>(669,494)</u>	<u>(641,492)</u>	<u>28,002</u>
Net changes in fund balances	203,119	134,318	288,693	154,375
Fund balances, beginning of year	<u>92,812</u>	<u>92,812</u>	<u>92,812</u>	<u>-</u>
Fund balances, end of year	<u>\$ 295,931</u>	<u>\$ 227,130</u>	<u>\$ 381,505</u>	<u>\$ 154,375</u>

The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Statement of Revenue, Expenditures**  
**and Changes in Fund Balances - Budget and Actual**  
**Debt Service Fund**  
**For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUE</b>				
Local sources	\$ 500	\$ 500	\$ 8,606	\$ 8,106
<b>EXPENDITURES</b>				
Debt service:				
Principal	85,000	85,000	85,000	-
Interest	396,018	396,018	396,018	-
Total expenditures	481,018	481,018	481,018	-
Revenue (under) expenditures	(480,518)	(480,518)	(472,412)	8,106
<b>OTHER FINANCING SOURCES</b>				
Transfers in	420,304	420,304	402,093	(18,211)
Net changes in fund balances	(60,214)	(60,214)	(70,319)	(10,105)
Fund balances, beginning of year	745,044	745,044	745,044	-
Fund balances, end of year	<u>\$ 684,830</u>	<u>\$ 684,830</u>	<u>\$ 674,725</u>	<u>\$ (10,105)</u>

The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund**  
**June 30, 2005**

**ASSETS**

Cash and cash equivalents	\$ 13,926
Total assets	<u>\$ 13,926</u>

**LIABILITIES**

Due to BRPS parent organization	\$ 7,134
Faculty/staff appreciation account	1,344
Due to student and other groups	<u>5,448</u>
Total liabilities	<u>\$ 13,926</u>

The accompanying notes are an integral part of these financial statements.

**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies of the Black River Public School (the "School") consistently applied in the preparation of the accompanying financial statements follows.

Black River Public School, Holland, Michigan, is a not-for-profit Michigan public school academy, which provides education to children in grades 1-12 from the surrounding community. Black River Public School operates under a charter approved by the Board of Trustees of Grand Valley State University, which is responsible for oversight of the School's operations.

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the reporting entity of the Black River Public School. The criteria identified in GASB Statements 14 and 39, including financial accountability, have been utilized when identifying the School reporting entity which includes no component units.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The School had no *business-type activities* during the year ended June 30, 2005.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted State school aid and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements (reporting the School as a whole) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State school aid is recognized as revenue in the school year for which it is given. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund follows the accrual basis of accounting and does not have a measurement focus.

**Black River Public School  
Notes to Financial Statements  
For the Year Ended June 30, 2005**

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Governmental fund financial statements (reporting the School's major funds) are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State school aid, expenditure driven grant revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the school.

***Governmental Funds***

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use and balances of the School's expendable financial resources and the related current liabilities are accounted for through governmental funds. The School reports the following major governmental funds:

The *general fund* is the School's primary operating fund and is used to record the general operations of the School pertaining to education. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

The *debt service fund* accounts for receipt of funds and payment of interest, principal, and related cost of certain long term debt. The debt service fund records the activities the Pledged Revenue, Reserve, and Certificate Payment accounts established pursuant to the Trust Agreement that administers the servicing of the Full Term Certificates of Participation, Series 2000.

The *capital projects fund* accounts for the accumulation and disbursement of resources for the acquisition or construction of major capital items.

Additionally, the School reports the following fund types:

*Special revenue funds* are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The School maintains three special revenue funds: Food Service, Interscholastic Athletics, and Yearbook.

*Fiduciary funds* are used to account for assets held by the School in a trustee capacity or as agent. The School's only fiduciary fund is the Agency Fund, which is used to account for assets held by the School as agent for student activities or school-related organizations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.



**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all unrestricted state aid, unrestricted grants and interest income.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

The effect of interfund activity has been eliminated from the government-wide financial statements.

***Budgets and Budgetary Accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP) for general and special revenue funds as required by the State of Michigan Uniform Budgeting and Accountant Act, as amended by Public Act 621 of 1978 ("Public Act 621"). The School also adopts a budget for the debt service fund based on GAAP and the schedules of pledged revenue deposits and debt service payments. The School follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Head of School and Director of Business Services submit to the Board a proposed operating budget for the fiscal year commencing the following July 1.
2. A public hearing is conducted to obtain public comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
5. Adoption and amendments of all budgets used by the School are governed by Public Act 621, which was followed for the year ended June 30, 2005. Expenditures may not exceed appropriations at the function level. The appropriations resolutions are based on the projected expenditures budget developed by the Head of School and Director of Business Services. Any revisions that alter the total expenditures of any fund must be approved by the School Board.

***Encumbrances***

The School does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year-end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

***Deposits and Investments***

The School considers cash on hand, demand deposits and short-term investments with an original maturity of three months or less when purchased to be cash and cash equivalents. All investments are recorded at fair value.

**Black River Public School  
Notes to Financial Statements  
For the Year Ended June 30, 2005**

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***Receivables***

The School follows the practice of recording as receivables revenues that have been earned but not yet received.

***Capital Assets***

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Machinery and equipment	10-20
Vehicles	5-8

***Accrued Expenses***

A liability is recorded at June 30 for amounts owed to Education Associates, the School's non-profit management company, for those amounts owed by Education Associates to teachers and other staff members who do not work during the summer but are contracted to have their salaries paid over a twelve-month period. This has the effect of properly charging these contracted staffing costs to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The School has also recorded accrued expense for amounts to be reimbursed to Education Associates after June 30, 2005, for the post-year-end cost to Education Associates of funding FICA, staff health insurance and compensated absences costs, as well as retirement plan funding, related to the services of School staff during the school year and fiscal year ended June 30, 2005.

***Long-term Obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, premiums and discounts, as well as issuance costs, are capitalized and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Black River Public School  
Notes to Financial Statements  
For the Year Ended June 30, 2005**

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***Reserves and Designations of Fund Balance/Restricted Net Assets***

Reservations of fund balance are established to identify (1) third party claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or (3) the existence of assets that are legally restricted to a future use.

Designations of fund balance are established to identify amounts set aside by the School Board for future expenditures.

The School has no reservations or designations of fund balances at June 30, 2005.

Restricted net assets represent assets which are legally restricted by outside parties or enabling legislation.

***Foundation Revenue***

The State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state sources. Revenues from state sources are primarily governed by Michigan's State School Aid Act (Public Act 94 of 1979, as amended) and the Revised School Code (Public Act 451 of 1976, as amended). The Michigan Department of Education administers the allocation of state funds to public schools based on information supplied by the schools.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. As a public school academy, the School is not eligible to receive any portion of local non-homestead property taxes. The state revenue is recognized during the foundation period (currently the fiscal year).

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Interfund Transactions***

During the course of normal operations, the School has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies or advances are determined by the School. As of June 30, 2005, there were no interfund payables or receivables.

**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**2. STATE OF MICHIGAN SCHOOL AID**

The School reports State of Michigan school aid in the fiscal year in which the School is entitled to the revenue as provided by appropriations from the state legislature pursuant to the State School Aid Act. State funding provided 86% of general fund revenue to the School during the 2005 fiscal year.

**3. CASH AND INVESTMENTS**

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and cash equivalents	<u>\$217,216</u>	<u>\$13,926</u>	<u>\$231,142</u>

***Statutory Authority***

Michigan law authorizes the School to deposit and invest in:

- a. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposits issued by a State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

The Black River Public School's investment policy allows for all of these types of investments.

**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

Deposits are in two (2) financial institutions located in Michigan. State policy limits the School's investing options to financial institutions located in Michigan. All accounts are in the name of the School and a specific fund or common account. They are recorded in School records at fair value.

The School chooses to disclose its investments by specifically identifying each. As of year end, the School had the following investments.

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
First American Funds Treasury Obligations Fund Class D	From 1 to 397 days (average of 26 days)	\$674,725	Moody's Aaa S&P AAAM

***Investment and Deposit Risk***

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and state law does not require a policy for deposit custodial credit risk. As of year end \$142,417 of the School's bank balance of \$256,027 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School has not adopted and state law does not require a policy for investment custodial credit risk. Of the above investments custodial credit risk cannot be determined because the investments are not in specifically identifiable securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments above. The School's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above and are held in one investment managed pursuant to a trust agreement.

**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**4. CAPITAL ASSETS**

A summary of changes in capital assets activity for the year ended June 30, 2005 was as follows

	Balance July 1, 2004	Additions	Dispositions	Balance June 30, 2005
<b>Governmental activities</b>				
Nondepreciable capital assets:				
Land	\$ 452,430	\$ -	\$ -	\$ 452,430
Total nondepreciable capital assets	452,430	-	-	452,430
Depreciable capital assets:				
Buildings and improvements	9,337,653	597,476	-	9,935,129
Machinery and equipment	132,347	34,316	-	166,663
Vehicles	75,500	-	-	75,500
Total depreciable capital assets	9,545,500	631,792	-	10,177,292
Less accumulated depreciation:				
Buildings and improvements	1,020,057	268,708	-	1,288,765
Machinery and equipment	46,597	16,234	-	62,831
Vehicles	16,907	9,562	-	26,469
Total accumulated depreciation	1,083,561	294,504	-	1,378,065
Total capital assets being depreciated, net	8,461,939	337,288	-	8,799,227
<b>Government activities capital assets, net</b>	<b>\$8,914,369</b>	<b>\$337,288</b>	<b>\$ -</b>	<b>\$ 9,251,657</b>

For governmental activities, depreciation expense was charged to functions as follows:

Instruction	\$226,801
Supporting services	61,681
Food service	5,406
Athletics	616
<b>Governmental activities depreciation expense</b>	<b>\$294,504</b>

**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

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**5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Transfers primarily reflect subsidies allocated from the General Fund.

	<u>In</u>	<u>Out</u>
<b>Interfund transfers</b>		
General fund	\$ -	\$641,492
Debt service	402,093	-
Capital projects	179,690	-
Nonmajor funds		
Food service special revenue	9,035	-
Athletics special revenue	50,674	-
<b>Total</b>	<u><b>\$641,492</b></u>	<u><b>\$641,492</b></u>

**6. LINE OF CREDIT**

The School receives operating cash flow by utilizing an \$850,000 revolving line of credit with Chemical Bank Shoreline, that is authorized by an Order of Approval by the Department of Treasury of the State of Michigan pursuant to Section 1225 of the Michigan Revised School Code. The line of credit is secured by a pledge of 30 percent of the state school aid funds that are apportioned to the School for its current fiscal year. The line of credit bears interest at a fixed rate of 4.87%. The outstanding balance is \$90,000 at June 30, 2005.

**7. OPERATING LEASES**

The School leases two copiers through a lease agreement, which requires minimum monthly payments of \$993 through July 2008.

The School also leases a postage meter which requires quarterly payments of \$231, through July 2008.

Rental expense under all operating lease agreements was approximately \$14,688 for the year ended June 30, 2005.

**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

**8. LONG-TERM DEBT**

The following is a summary of debt transactions of the School for the year ended June 30, 2005:

	Long-term Debt				
	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005	Due Within One Year
\$5,770,000 – 2000 Certificates of participation issue consists of \$745,000 serial certificates due in installments of \$75,000 to \$115,000 in the years 2003 through 2010 with interest of 6.10% to 6.75%. Also consisting of \$5,025,000 term certificates due in installments of \$120,000 to \$445,000 in years 2011 through 2030 with interest 7.00% to 7.25%.	\$5,615,000	\$ -	\$ (85,000)	\$5,530,000	\$ 90,000
Capital leases payable to Blue Bird Leasing for two 30 passenger buses requiring an annual payment of \$10,188 including interest at 3.7% through June 2008.	52,837	-	(7,811)	45,026	8,162
Note payable to BASF Corporation for property, at 0% interest, requiring five equal annual installments of \$69,309 beginning on January 1, 2006.	346,546	-	-	346,546	69,309
2003 note payable to Chemical Bank, due July 21, 2008, for the purchase of a six-classroom modular building, requiring quarterly payments of \$20,015, including interest at 3.69% through July 2008.	338,087	-	(71,526)	266,561	77,535
2004 note payable to Chemical Bank, due July 21, 2009, for the purchase of an eight-classroom modular building, requiring quarterly payments of \$23,672, including interest at 3.59% through July 2009.	-	385,000	(13,153)	371,847	83,341
<b>Total</b>	<b>\$6,352,470</b>	<b>\$385,000</b>	<b>\$(177,490)</b>	<b>\$6,559,980</b>	<b>\$328,347</b>



**Black River Public School**  
**Notes to Financial Statements**  
**For the Year Ended June 30, 2005**

Following is a summary of future principal maturities and interest requirements:

	<b>Installment Purchases</b>		<b>Certificates of Participation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$ 238,347	\$23,130	\$ 90,000	\$ 195,331
2007	265,479	18,375	95,000	192,451
2008	234,488	9,568	100,000	189,364
2009	205,950	3,562	105,000	186,064
2010	85,716	212	115,000	182,546
2011-2015	-	-	700,000	847,825
2016-2020	-	-	985,000	706,600
2021-2025	-	-	1,385,000	507,329
2026-2030	-	-	1,955,000	222,032
<b>Total</b>	<b>\$1,029,980</b>	<b>\$54,847</b>	<b>\$5,530,000</b>	<b>\$3,229,542</b>

## 9. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for all the above mentioned types of risks of loss including general liability, property damage, and workers' compensation. Settled claims have not exceeded the commercial coverage in any of the three prior years.

## 10. CONTINGENCIES

### *Federal Grant Programs*

The School participates in federally assisted grant programs, which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the School expects such amounts, if any, not to be material.

## 11. CHARTER AGENCY OVERSIGHT FEES

Pursuant to the charter contract between Grand Valley State University ("Authorizer") and the School, the School pays the Authorizer an administrative oversight fee equal to 3% of the state school aid received by the School.

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**Black River Public School**  
**Schedule of Revenue, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUE</b>				
Local sources	\$ 399,039	\$ 455,000	\$ 457,688	\$ 2,688
Intermediate sources	23,400	33,000	33,420	420
State sources	3,976,278	3,974,500	3,974,951	451
Federal sources	105,755	143,500	143,515	15
Total revenue	4,504,472	4,606,000	4,609,574	3,574
<b>EXPENDITURES</b>				
Instruction:				
Elementary	427,290	510,000	497,429	12,571
Middle School	593,505	564,000	552,016	11,984
High School	804,646	850,000	839,017	10,983
Special Education	254,977	200,000	191,166	8,834
Title I Compensatory education	42,410	37,000	34,519	2,481
Total instruction	2,122,828	2,161,000	2,114,147	46,853
Supporting services:				
Pupil services	159,884	173,000	158,967	14,033
Instructional staff	59,633	64,000	62,492	1,508
Charter agency oversight	118,388	118,000	115,186	2,814
General administration	192,481	186,000	177,938	8,062
School administration	216,159	208,000	195,425	12,575
Support services business	227,038	249,000	243,530	5,470
Operation and maintenance	307,194	380,000	374,224	5,776
Pupil transportation services	21,390	26,000	24,174	1,826
Technology	59,445	50,000	43,905	6,095
Total supporting services	1,361,612	1,454,000	1,395,841	58,159
Capital outlay	-	57,000	52,356	4,644
Debt service:				
Principal	114,059	102,295	92,490	9,805
Interest	12,436	27,893	24,555	3,338
Total debt service	126,495	130,188	117,045	13,143
Total expenditures	3,610,935	3,802,188	3,679,389	122,799
Revenue over (under) expenditures	893,537	803,812	930,185	126,373
<b>OTHER FINANCING (USES)</b>				
Transfers out to:				
Athletics	(70,424)	(60,000)	(50,674)	9,326
Food service	(20,000)	(9,500)	(9,035)	465
Debt service	(420,304)	(420,304)	(402,093)	18,211
Capital projects	(179,690)	(179,690)	(179,690)	-
Total other financing sources (uses)	(690,418)	(669,494)	(641,492)	28,002
Net changes in fund balances	203,119	134,318	288,693	154,375
Fund balances, beginning of year	92,812	92,812	92,812	-
Fund balances, end of year	\$ 295,931	\$ 227,130	\$ 381,505	\$ 154,375

**Black River Public School**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2005**

	<u>Special Revenue</u>			<u>Total</u>
	<u>Food Service</u>	<u>Athletics</u>	<u>Yearbook</u>	
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 7,106</u>	<u>\$ 955</u>	<u>\$ 11,152</u>	<u>\$ 19,213</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 7,067	\$ 7,067
 Fund balances:				
Unreserved, undesignated	<u>7,106</u>	<u>955</u>	<u>4,085</u>	<u>12,146</u>
 Total liabilities and fund balances	<u>\$ 7,106</u>	<u>\$ 955</u>	<u>\$ 11,152</u>	<u>\$ 19,213</u>

**Black River Public School**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2005**

	<u>Special Revenue</u>			
	<u>Food Service</u>	<u>Athletics</u>	<u>Yearbook</u>	<u>Total</u>
<b>REVENUE</b>				
Local sources	\$ 23,219	\$ 5,598	\$ 8,199	\$ 37,016
State sources	830	-	-	830
Federal sources	25,957	-	-	25,957
Total revenue	<u>50,006</u>	<u>5,598</u>	<u>8,199</u>	<u>63,803</u>
<b>EXPENDITURES</b>				
Current:				
Food service	52,802	-	-	52,802
Athletic	-	55,832	-	55,832
Yearbook	-	-	8,349	8,349
Total expenditures	<u>52,802</u>	<u>55,832</u>	<u>8,349</u>	<u>116,983</u>
Revenue (under) expenditures	<u>(2,796)</u>	<u>(50,234)</u>	<u>(150)</u>	<u>(53,180)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	<u>9,035</u>	<u>50,674</u>	<u>-</u>	<u>59,709</u>
Net changes in fund balances	6,239	440	(150)	6,529
Fund balances, beginning of year	<u>867</u>	<u>515</u>	<u>4,235</u>	<u>5,617</u>
Fund balances, end of year	<u>\$ 7,106</u>	<u>\$ 955</u>	<u>\$ 4,085</u>	<u>\$ 12,146</u>

**Black River Public School**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual**  
**Food Service Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUE</b>				
Local sources	\$ 15,000	\$ 22,970	\$ 23,219	\$ 249
State sources	-	830	830	-
Federal sources	20,000	25,900	25,957	57
Total revenue	35,000	49,700	50,006	306
<b>EXPENDITURES</b>				
Supporting services	59,980	54,000	52,802	1,198
Revenue (under) expenditures	(24,980)	(4,300)	(2,796)	1,504
<b>OTHER FINANCING SOURCES</b>				
Transfers in	15,000	9,500	9,035	(465)
Net changes in fund balances	(9,980)	5,200	6,239	1,039
Fund balances, beginning of year	867	867	867	-
Fund balances (deficit), end of year	\$ (9,113)	\$ 6,067	\$ 7,106	\$ 1,039

**Black River Public School**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual**  
**Athletics Fund**  
**For the Year Ended June 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUE</b>				
Local sources	\$ 300	\$ 3,000	\$ 5,598	\$ 2,598
<b>EXPENDITURES</b>				
Supporting services	70,424	60,000	55,832	4,168
Revenue (under) expenditures	(70,124)	(57,000)	(50,234)	6,766
<b>OTHER FINANCING SOURCES</b>				
Transfers in	70,424	60,000	50,674	(9,326)
Net changes in fund balances	300	3,000	440	(2,560)
Fund balances, beginning of year	515	515	515	-
Fund balances, end of year	<u>\$ 815</u>	<u>\$ 3,515</u>	<u>\$ 955</u>	<u>\$ (2,560)</u>

**Black River Public School**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual**  
**Yearbook Fund**  
**For the Year Ended June 30, 2005**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUE</b>				
Local sources	\$ 5,000	\$ 8,000	\$ 8,199	\$ 199
<b>EXPENDITURES</b>				
Supporting services	8,000	10,500	8,349	2,151
Net changes in fund balances	(3,000)	(2,500)	(150)	2,350
Fund balances, beginning of year	4,235	4,235	4,235	-
Fund balances, end of year	<u>\$ 1,235</u>	<u>\$ 1,735</u>	<u>\$ 4,085</u>	<u>\$ 2,350</u>

**Black River Public School**  
**Statement of Changes in Assets and Liabilities**  
**For the Year Ended June 30, 2005**

	Agency Activities Fund			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 7,694</u>	<u>\$ 79,175</u>	<u>\$ 72,943</u>	<u>\$ 13,926</u>
<b>LIABILITIES</b>				
Due to BRPS parent organization	\$ 3,181	\$ 23,351	\$ 19,398	\$ 7,134
Faculty/staff appreciation account	1,586	-	242	1,344
Due to student and other groups	<u>2,927</u>	<u>55,824</u>	<u>53,303</u>	<u>5,448</u>
Total liabilities	<u>\$ 7,694</u>	<u>\$ 79,175</u>	<u>\$ 72,943</u>	<u>\$ 13,926</u>



**Black River Public School**  
**Comprehensive Annual Financial Report**  
**For the year ended June 30, 2005**

## Statistical Section

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*This part of Black River Public School's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the School's overall financial health.*

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*These schedules contain trend information to help the reader understand how the School's financial performance and well-being have changed over time.*

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*These schedules present information to help the reader assess the affordability of the School's current level of outstanding debt and the School's ability to issue additional debt in the future.*

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#### **Operating Information**

*These schedules contain service and infrastructure data to help the reader understand how the information in the School's financial report relates to the services the School provides and the activities it performs.*

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**Black River Public School**  
**Net Assets by Component**  
**Last Three Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
Governmental activities			
Invested in capital assets net of related debt	\$ 2,516,939	\$ 2,561,899	\$ 2,691,677
Restricted	706,589	598,587	860,723
Unrestricted	107,798	112,368	435,651
Total governmental activities net assets	<u>\$ 3,331,326</u>	<u>\$ 3,272,854</u>	<u>\$ 3,988,051</u>

**Black River Public School**  
**Changes in Net Assets**  
**Last Three Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year		
	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Expenses</b>			
Governmental activities:			
Instruction	\$ 1,631,656	\$ 2,015,396	\$ 2,340,948
Support services	1,069,993	1,236,808	1,446,205
Food services	39,098	48,332	58,208
Athletics activities	60,171	68,227	56,448
Yearbook fund	4,247	8,698	8,349
Interest	406,360	413,085	420,163
Total governmental activities expenses	<u>\$ 3,211,525</u>	<u>\$ 3,790,546</u>	<u>\$ 4,330,321</u>
<b>Program Revenues</b>			
Governmental activities:			
Charges for services	\$ 16,457	\$ 22,824	\$ 34,952
Operating grants and contributions	319,045	391,063	726,562
Total governmental activities program revenues	<u>\$ 335,502</u>	<u>\$ 413,887</u>	<u>\$ 761,514</u>
<b>Net (Expense)</b>			
Governmental activities	<u>\$ (2,876,023)</u>	<u>\$ (3,376,659)</u>	<u>\$ (3,568,807)</u>
<b>General Revenues and Other Changes in Net Assets</b>			
Governmental activities			
Private source contributions	\$ 138,704	\$ 154,125	\$ 396,811
State of Michigan school aid, unrestricted	2,581,228	3,119,838	3,841,051
Miscellaneous	27,606	40,196	33,888
Investment earnings	9,150	4,028	12,254
Total governmental activities	<u>\$ 2,756,688</u>	<u>\$ 3,318,187</u>	<u>\$ 4,284,004</u>
<b>Changes in Net Assets</b>			
Governmental activities	<u>\$ (119,335)</u>	<u>\$ (58,472)</u>	<u>\$ 715,197</u>

**Black River Public School**  
**Fund Balances, Governmental Funds,**  
**Last Nine Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year								
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>General Fund</b>									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	(60,668)	(584,495)	58,001	327,220	84,831	106,556	82,798	92,812	381,505
Total general fund	<u>\$ (60,668)</u>	<u>\$ (584,495)</u>	<u>\$ 58,001</u>	<u>\$ 327,220</u>	<u>\$ 84,831</u>	<u>\$ 106,556</u>	<u>\$ 82,798</u>	<u>\$ 92,812</u>	<u>\$ 381,505</u>
<b>All Other Governmental Funds</b>									
Reserved									
Debt service	\$ -	\$ -	\$ -	\$ 1,711,323	\$ 900,480	\$ 882,222	\$ 825,633	\$ 745,044	\$ 674,725
Capital projects fund	-	-	32,083	87,809	168,358	48,105	50,744	18,550	185,999
Unreserved, reported in:									
Special revenue funds	-	-	-	337	5,306	6,368	6,312	5,617	12,146
Total all other governmental funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,083</u>	<u>\$ 1,799,469</u>	<u>\$ 1,074,144</u>	<u>\$ 936,695</u>	<u>\$ 882,689</u>	<u>\$ 769,211</u>	<u>\$ 872,870</u>

**Note**

The fiscal 1998 general fund deficit resulted from two transactions to purchase capital assets that were financed by short-term debt as follows:

\$	136,911	Debt from acquisition of portable classrooms
	<u>455,000</u>	
\$	591,911	Debt from \$500,000 acquisition of land acquired for then-anticipated relocation
		General fund debt supporting capital assets at June 30, 1998

The short-term debt from these transactions was properly recorded on the general fund balance sheet, rather than the long-term debt account group. The related capital assets were recorded, not in the general fund, but in the general fixed assets account group. The School's relocation plans changed in fiscal 1999 during which period the carrying value of the land was reclassified to property held for sale, resulting in a \$500,000 "financing source" in fiscal 1999 from the general fixed assets account group to the general fixed account group to the general fund, thereby eliminating the general fund deficit balance. The land was sold in fiscal 2000.

**Black River Public School**  
**Changes in Fund Balances, Governmental Funds,**  
**Last Nine Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year								
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Revenues</b>									
Local sources	\$ 34,556	\$ 67,226	\$ 222,881	\$ 297,858	\$ 234,751	\$ 309,258	\$ 319,339	\$ 412,853	\$ 658,438
Intermediate sources	-	-	-	-	25,866	16,934	7,720	26,400	33,420
State sources	1,134,749	1,570,784	1,785,812	1,849,596	1,854,224	1,988,807	2,666,493	3,212,759	3,975,781
Federal sources	3,479	28,499	37,880	64,455	15,140	32,003	74,655	85,281	169,472
Total revenues	1,172,784	1,666,509	2,046,573	2,211,909	2,129,981	2,347,002	3,068,207	3,737,293	4,837,111
<b>Expenditures</b>									
Instruction	631,755	977,346	991,200	1,003,838	1,152,101	1,099,381	1,437,785	1,806,550	2,114,147
Supporting services	488,139	612,129	716,528	939,731	1,109,985	969,274	1,259,162	1,295,465	1,512,824
Capital outlay	137,724	704,752	153,694	4,026,512	456,334	(11,482) <sup>c</sup>	33,750	576,240	604,725
Debt service:									
Principal	52,483	2,962	-	-	-	-	75,000	105,727	177,490
Interest	4,029	4,825	9,023	4,869	405,553	405,553	405,553	413,115	420,573
Total expenditures	1,314,130	2,302,014	1,870,445	5,974,950	3,123,973	2,462,726	3,211,250	4,197,097	4,829,759
Excess of revenues over (under) expenditures	(141,346)	(635,505)	176,128	(3,763,041)	(993,992)	(115,724)	(143,043)	(459,804)	7,352
<b>Other financing sources (uses)</b>									
Proceeds from borrowing	-	-	-	5,711,546	-	-	-	356,340	385,000
<sup>a</sup> Proceeds from capital leases	80,678	111,678	-	-	-	-	60,312	-	-
Proceeds from sale of property	-	-	-	90,100	-	-	-	-	-
Transfers in	-	-	-	1,178,842	65,814	531,989	696,277	556,537	641,492
Transfers out	-	-	(1,549)	(1,180,842)	(67,314)	(531,989)	(691,310)	(556,537)	(641,492)
<sup>b</sup> Other financing sources	-	-	500,000	-	27,778	-	-	-	-
Total other financing sources (uses)	80,678	111,678	498,451	5,799,646	26,278	-	65,279	356,340	385,000
<b>Net change in fund balances</b>	<b>\$ (60,668)</b>	<b>\$ (523,827)</b>	<b>\$ 674,579</b>	<b>\$ 2,036,605</b>	<b>\$ (967,714)</b>	<b>\$ (115,724)</b>	<b>\$ (77,764)</b>	<b>\$ (103,464)</b>	<b>\$ 392,352</b>

<sup>a</sup> To better illustrate capital outlay trending, the results of 1997 and 1998 are restated (non-GAAP) to include ST capital lease proceeds as if LT, and to include the related capital outlay.

<sup>b</sup> FY 1999 other financing sources amount of \$500,000 represents cost of land purchased in FY 1998 recharacterized in FY 1999 to land held for sale, a short-term investment.

<sup>c</sup> Negative capital outlay in FY 2002 resulted from construction contracts payable estimates at prior year end being paid off at a lesser total amount than the total accrued.

## Schedule C-1

**Black River Public School**  
**Ratio of Outstanding Debt per Student,**  
**Last Five Fiscal Years**

Fiscal Year	Governmental Activities					Total Governmental Activities	Debt Per Student <sup>a</sup>
	Certificates of Participation	Vehicle Capital Leases	Installment Purchase Contracts	General Obligation Note			
2001	\$ 5,770,000	\$ -	\$ -	-	\$ -	\$ 5,770,000	\$ 19,760
2002	5,770,000	-	-	-	-	5,770,000	19,693
2003	5,695,000	60,312	-	-	-	5,755,312	13,802
2004	5,615,000	52,837	338,087	346,546	346,546	6,352,470	12,991
2005	5,530,000	45,026	638,408	346,546	346,546	6,559,980	11,214

**Note:** Details regarding the school's outstanding debt can be found in the notes to the financial statements.

<sup>a</sup> See Schedule E-1 for student enrollment data.

Schedule C-2

**Black River Public School**  
**Pledged-Revenue Coverage,**  
**Last Three Fiscal Years**

Full Term Certificates of Participation, Series 2000					
Fiscal Year	State School Aid	20 percent		Debt Service	
		Pledged Revenues		Principal	Interest
2003	\$ 2,666,493	\$ 533,299	\$ 75,000	\$ 405,553	1.11
2004	3,212,759	642,552	80,000	400,978	1.34
2005	3,975,781	795,156	85,000	396,018	1.65

**Note:** Details regarding the school's outstanding debt can be found in the notes to the financial statements. Interest-only debt service payments of \$405,553 per year were made from the capitalized interest debt service reserve account in fiscal years 2001 and 2002.

**Holland / West Ottawa Area Student Enrollment;  
Traditional Public Schools, Private Schools, and Charter Schools  
Last Ten Academic Years**

	Academic Year																			
	1995/1996		1996/1997		1997/1998		1998/1999		1999/2000		2000/2001		2001/2002		2002/2003		2003/2004		2004/2005	
	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg
Holland Public	5,765 38.7%	2.0 %	5,734 36.4%	-0.5 %	5,676 35.0%	-1.0 %	5,619 33.8%	-1.0 %	5,500 32.6%	-2.1 %	5,513 32.0%	0.2 %	5,470 31.1%	-0.8 %	5,380 30.4%	-1.6 %	5,238 29.6%	-2.6 %	5,014 28.5%	-4.3 %
West Ottawa Public	6,231 41.9%	5.3	6,554 41.6%	5.2	6,825 42.1%	4.1	7,095 42.7%	4.0	7,312 43.3%	3.1	7,545 43.7%	3.2	7,760 44.1%	2.8	7,896 44.7%	1.8	7,997 45.2%	1.3	8,157 46.3%	2.0
Holland Christian	2,448 16.5%	-8.3	2,670 16.9%	9.1	2,637 16.3%	-1.2	2,577 15.5%	-2.3	2,589 15.3%	0.5	2,638 15.3%	1.9	2,701 15.4%	2.4	2,646 15.0%	-2.0	2,512 14.2%	-5.1	2,372 13.5%	-5.6
Other Private Schools	435 2.9%	14.5	403 2.6%	-7.4	397 2.4%	-1.5	381 2.3%	-4.0	380 2.3%	-0.3	401 2.3%	5.5	415 2.4%	3.5	400 2.3%	-3.6	404 2.3%	1.0	386 2.2%	-4.5
Eagle Crest Charter	- 0.0%		- 0.0%		136 0.8%		287 1.7%	111.0	420 2.5%	46.3	500 2.9%	19.0	551 3.1%	10.2	545 3.1%	-1.1	596 3.4%	9.4	638 3.6%	7.0
Vanderbilt Charter	- 0.0%		194 1.2%		272 1.7%	40.2	350 2.1%	28.7	378 2.2%	8.0	362 2.1%	-4.2	400 2.3%	10.5	399 2.3%	-0.3	442 2.5%	10.8	461 2.6%	4.3
Black River	- 0.0%		209 1.3%		269 1.7%	28.7	305 1.8%	13.4	303 1.8%	-0.7	292 1.7%	-3.6	293 1.7%	0.3	417 2.4%	42.3	489 2.8%	17.3	585 3.3%	19.6
Total Area	14,879 100.0%	1.8	15,764 100.0%	5.9	16,212 100.0%	2.8	16,614 100.0%	2.5	16,882 100.0%	1.6	17,251 100.0%	2.2	17,590 100.0%	2.0	17,683 100.0%	0.5	17,678 100.0%	0.0	17,613 100.0%	-0.4

SOURCE: Ottawa Area Intermediate School District



## Schedule D-2

**Black River Public School**  
**Enrollment History by Student's Resident District**  
**Last Four Fiscal Years**

Student's Resident District	Fiscal Year							
	2001/2002		2002/2003		2003/2004		2004/2005	
	Count	% Chg	Count	% Chg	Count	% Chg	Count	% Chg
Holland	140 47.8%	-10.8 %	211 50.6%	50.7 %	238 48.7%	12.8 %	270 46.2%	13.4 %
West Ottawa	93 31.7%	-3.1	127 30.5%	36.6	149 30.5%	17.3	194 33.2%	30.2
Fennville	15 5.1%	50.0	18 4.3%	20.0	40 8.2%	122.2	43 7.4%	7.5
Zeeland	18 6.1%	12.5	24 5.8%	33.3	32 6.5%	33.3	36 6.2%	12.5
Saugatuck	12 4.1%	300.0	15 3.6%	25.0	13 2.7%	-13.3	18 3.1%	38.5
Other districts	15 5.1%	50.0	22 5.3%	46.7	17 3.5%	-22.7	24 4.1%	41.2
Total	293 100.0%	0.3	417 100.0%	42.3	489 100.0%	17.3	585 100.0%	19.6

**Black River Public School**  
**Student Enrollment as of Fall Membership Count**  
**Last Nine Fiscal Years**

<u>Grade</u>	<u>Fiscal Year</u>								
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Elementary</b>									
K	-	-	-	-	-	-	-	-	-
1	-	-	-	-	-	-	-	-	32
2	-	-	-	-	-	-	-	-	32
3	-	-	-	-	-	-	-	-	19
4	-	-	-	-	-	11	34	38	44
5	-	-	-	-	-	9	26	43	40
	-	-	-	-	-	20	60	81	167
<b>Middle school</b>									
6	84	57	25	31	23	35	56	56	65
7	43	80	57	24	38	37	61	60	66
8	41	54	85	54	33	41	59	77	54
	168	191	167	109	94	113	176	193	185
<b>High school</b>									
9	41	42	59	75	58	41	58	80	75
10	-	36	44	51	61	54	46	47	77
11	-	-	35	43	43	40	45	42	46
12	-	-	-	25	36	25	32	46	35
	41	78	138	194	198	160	181	215	233
<b>Total</b>	209	269	305	303	292	293	417	489	585

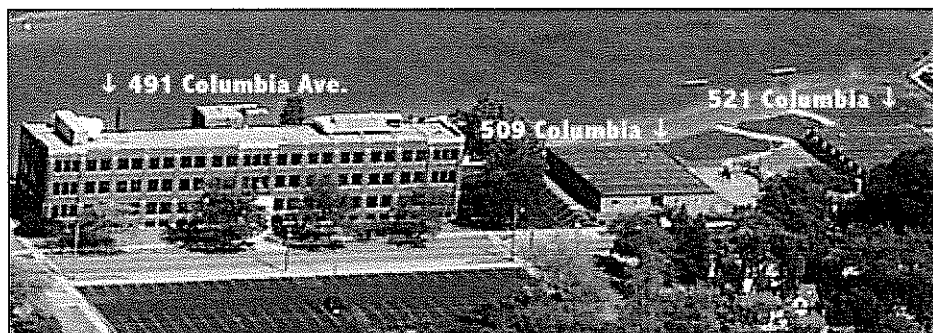
**Source:** Nonfinancial information provided by the BRPS business office.

**Note:** Enrollment based on fall membership count.

**Black River Public School  
School Building Information,  
Last Five Fiscal Years**

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Black River Middle School/High School</b>					
<i>491 Columbia Avenue</i>					
<i>Acquired/renovated in 2000, constructed in 1930</i>					
Square feet	51,894	51,894	51,894	51,894	51,894
Capacity (students)	440	440	440	440	440
Enrollment	292	293	417	408	418
<b>Upper Elementary 6-classroom Modular Building</b>					
<i>509 Columbia Avenue</i>					
<i>Acquired and installed in fiscal 2004</i>					
Square feet				6,664	6,664
Capacity (students)				120	120
Enrollment				81	84
<b>Lower Elementary 8-classroom Modular Building</b>					
<i>521 Columbia Avenue</i>					
<i>Acquired and installed in fiscal 2005</i>					
Square feet					8,568
Capacity (students)					168
Enrollment					83

**Source:** School business office.



**Black River Public School**  
**Operating Statistics, District-wide**  
**Last Five Academic Years**

<b>Fiscal Year</b>	<b>Instruction Expenses</b>	<b>Enrollment</b>	<b>Cost per Pupil</b>	<b>% Chg</b>	<b>Teaching Staff</b>	<b>Student/ Teacher Ratio</b>
2001	\$ 1,152,101	292	\$3,946	19.09 %	26.60	11.0
2002	1,099,381	293	3,752	-4.90	24.90	11.8
2003	1,437,785	417	3,448	-8.11	29.70	14.0
2004	1,806,550	489	3,694	7.15	36.80	13.3
2005	2,114,147	585	3,614	-2.18	41.15	14.2

**Source:** Nonfinancial information provided by the School's business office.

**Note:** Enrollment based on fall membership count. Teaching staff are full-time equivalents.

**Black River Public School**  
**Operating Information, Elementary and Secondary Programs**  
**Last Five Academic Years**

	Fiscal Year				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<b>Staffing - full-time equivalent</b>					
Instructional staff					
Elementary school	-	1.00	3.40	4.50	8.50
Middle school	9.10	8.40	10.10	11.95	11.95
High School	13.75	12.05	12.20	15.20	13.90
Special education	3.75	3.45	4.00	5.15	4.80
Title I reading specialists	-	-	-	-	2.00
Total instructional staff	26.60	24.90	29.70	36.80	41.15
Other staff	10.40	8.45	9.30	8.05	9.65
Total staffing	37.00	33.35	39.00	44.85	50.80
<b>Elementary grades 1-5</b>					
Instructional expenses	\$ -	\$ 48,707	\$ 165,928	\$ 216,130	\$ 497,429
Students-full time equivalent	-	20	60	81	167
Instruction cost per FTE pupil	-	\$ 2,435	\$ 2,765	\$ 2,668	\$ 2,979
Teaching staff (FTE)	-	1.00	3.40	4.50	8.50
Student:teacher ratio	-	20.0	17.6	18.0	19.6
<b>Secondary grades 6-12 (general education)</b>					
Instructional expenses	\$ 1,028,771	\$ 915,057	\$ 1,074,837	\$ 1,355,435	\$ 1,391,033
Students-full time equivalent	286.90	268.50	349.55	396.20	405.15
Instruction cost per FTE pupil	\$ 3,586	\$ 3,408	\$ 3,075	\$ 3,421	\$ 3,433
Teaching staff (FTE)	22.85	20.45	22.30	27.15	25.85
Student:teacher ratio	12.6	13.1	15.7	14.6	15.7
Avg students in classroom	14.6	15.3	18.3	17.0	18.3
<b>Special education program</b>					
Instructional expenses	\$ 123,330	\$ 135,617	\$ 197,020	\$ 234,985	\$ 191,166
Students-full time equivalent	5.10	4.50	8.45	11.80	13.85
Instruction cost per FTE pupil	\$ 24,182	\$ 30,137	\$ 23,316	\$ 19,914	\$ 13,803
Teaching staff (FTE)	3.75	3.45	4.00	5.15	4.80
Student:teacher ratio	1.4	1.3	2.1	2.3	2.9
Student caseload headcount	26	21	46	65	72
Instruction cost per student	\$ 4,743	\$ 6,458	\$ 4,283	\$ 3,615	\$ 2,655

**Black River Public School**  
**Student college preparation statistics**  
**Last Five Academic Years**

Fiscal Year	BRPS Graduating Class			American College Testing (ACT Exam) <sup>a</sup>			The College Board, Advanced Placement Program <sup>b</sup>						Mastery Benchmarks	
	Graduates	% to post-secondary	Scholarships Amount	Per capita	Composite Score		Senior Class, throughout high school		School-wide, during academic year		Mastery (Seniors)		State	Nation
					BRPS	State	Participants	Tests Taken	Mastery %	Participants	Tests Taken	Mastery (Seniors)		
2001	31	87 %	\$ 425,000	\$ 13,710	24.5	21.3	-	-	-	-	27	74 % (64%)	n/a	n/a
2002	22	91	450,000	20,455	23.8	21.3	8	25	-	29	49	78 (81)	n/a	n/a
2003	31	94	560,000	18,065	24.8	21.3	-	-	-	52	102	58 (70)	n/a	n/a
2004	41	95	1,211,000	29,537	25.0	21.4	23	102	46 %	49	111	67 (78)	11 %	13 %
2005	32	97	850,000	26,563	25.0	21.4	17	84	44	50	122	61 (73)	-	-

**Sources:** BRPS academics office, ACT Inc. and The College Board.

<sup>a</sup> The ACT is a widely-accepted college entrance exam, which assesses high school students' general educational development and their ability to complete college level work.

<sup>b</sup> AP Exam grades are reported on a 5-point scale as follows: 5=extremely well qualified to receive college credit, 4= well qualified, 3=qualified, 2=possibly qualified, 1=no recommendation  
 Grades of 3, 4 and 5 are considered "mastery" scores that generally receive advanced placement college credit.



# REHMANN ROBSON

*Certified Public Accountants*

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

July 21, 2005

Board of Trustees  
Black River Public School  
Holland, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Black River Public School, Holland, Michigan, as of and for the year ended June 30, 2005, and have issued our report thereon dated July 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

*Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Black River Public School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Black River Public School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*